Financial Statements and Independent Auditor's Report

M – NAV AD, Skopje

31 December 2023

This is an English translation of the original Report issued in Macedonian, in case of any discrepancies between the English and Macedonian version the Macedonian text shall prevail.

Contents

Independent Auditor’s Report

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To the Shareholders of

M-NAV AD, Skopje

Report on financial statements

We have audited the accompanying financial statements of M-NAV AD Skopje (“the Company”), which comprise the Statement of financial position as at 31 December 2023, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 3 to 35.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting standards accepted in the Republic of North Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards accepted in the Republic of North Macedonia[1]. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As disclosed in the Statement of financial position of the Company and further in Note 2.11 to the accompanying financial statements, as at 31 December 2023, the Company has recorded a discount on issued shares in the amount of Denar 388,141 thousand. Discount on issued shares with simultaneous increase of the share capital account was initially recognized in the accounting records of the Company during 2011 only for the purpose of reconciling the amount of the share capital in the accounting records of the Company with the share capital registered with the Central Register of the Republic of North Macedonia. Based on the audit procedures performed and the obtained data and information, we determined that the recognized discount on issued shares is not in accordance with the accounting policies accepted by the Company as well as with the legislation and internal acts of the Company.

[1] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (“IAASB”), effective from 15 December 2009, translated and published in the “Official Gazette” of the Republic of Macedonia no.79 from 2010.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of M-NAV AD Skopje as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the accounting standards accepted in the Republic of North Macedonia.

Emphasis of matter

As disclosed in note 5 of the financial statements, as of December 31, 2023, the Company is in the process of securing property deeds for part of its property, which net book value as of December 31, 2023 is in amount of MKD 87,631 thousand.

Report on other legal and regulatory matters

The Management of the Company is also responsible for the preparation of the Annual Report for the Company's operations for 2023 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion whether the Annual Report for the Company's operations is consistent with the historical financial information disclosed in the annual accounts and the audited financial statements of the Company as at and for the year ended 31 December 2023, in accordance with auditing standards accepted in the Republic of North Macedonia[2], and the requirements of Article 34, paragraph 1, point (d) of the Law on Audit

In our opinion, the historical financial information disclosed in the Annual Report for the Company's operations as at and for the year ended 31 December 2023, are consistent, in all material respects, with the historical financial information disclosed in the annual accounts and the audited financial statements as at and for the year ended 31 December 2023.

Marjan Andonov
Director
Grant Thornton DOO, Skopje

ГРАНТ ТОРНТОН ДОО Скопје

Skopje, 15 May 2024

Marjan Andonov
Certified Auditor

[2] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no.79 from 2010.

Statement of financial position

	Note	31 December 2023	In MKD thousand 31 December 2022
Assets			
Non – current assets			
Property, plant and equipment	5	668,138	647,236
Intangible assets	6	4,758	6,876
		672,896	**654,112**
Current assets			
Inventories	8	11,487	12,395
Income tax receivables		3,769	17,881
Trade and other receivables	9	199,559	201,104
Cash and cash equivalents	10	754,276	484,760
		969,091	**716,140**
Total Assets		**1,641,987**	**1,370,252**
EQUITY AND LIABILITIES			
Share capital	11	1,552,034	1,552,034
Discount on share capital		(388,141)	(388,141)
Reserves	11	8,721	1,873
Accumulated profit / (losses)		117,991	(131,690)
Total Equity		**1,290,605**	**1,034,076**
Liabilities			
Non – current liabilities			
Borrowings	12	211,528	183,749
Deferred donations	13	6,590	8,395
Provisions	14	6,809	6,130
		224,927	**198,274**
Current liabilities			
Current portion of borrowings	12	40,451	23,116
Trade and other payables	15	86,004	114,786
		126,455	**137,902**
Total liabilities		**351,382**	**336,176**
Total equity and liabilities		**1,641,987**	**1,370,252**

These financial statements were approved by the Management of M-NAV AD, Skopje on 11 April 2024 and signed on its behalf by:

Milan Korákj
President of the Management Board and CNS Executive Director

Hasim Deari
Member of the Management Board and Executive Director of Financial, Legal issues, Development and Investments

Hekuran Asani
Member of the Management Board and Executive Director of Air Navigation Services, ANS

Statement of comprehensive income

	Note	2023	2022
		In MKD thousand For the year ended 31 December	
Revenues from operations	16	1,430,180	1,301,727
Other operating income	17	14,754	3,862
Total revenues		**1,444,934**	**1,305,589**
Materials and maintenance expenses	18	(53,338)	(70,180)
Personnel expenses	19	(971,445)	(971,313)
Amortization and depreciation	5, 6	(39,609)	(35,107)
Other operating expenses	20	(98,528)	(79,247)
Profit from operating activities		**282,014**	**149,742**
Finance income	21	1,949	1,728
Finance expenses	21	(13,322)	(14,513)
Finance (expenses), net		**(11,373)**	**(12,785)**
Profit before tax		**270,641**	**136,957**
Income tax expense	22	(14,112)	-
Profit for the year		**256,529**	**136,957**
Other comprehensive income for the year		-	-
Total comprehensive profit for the year		**256,529**	**136,957**

Statement of changes in equity

In MKD thousand

	Share capital	Discount on share capital	Reserves	Retained earnings (loses)	Total
At 1 January 2023	**1,552,034**	**(388,141)**	**1,873**	**(131,690)**	**1,034,076**
Transactions with owners					
Distribution to reserves (Note 11)	-	-	6,848	(6,848)	-
Total transactions with owners	-	-	*6,848*	*(6,848)*	-
Profit for the year	-	-	-	256,529	256,529
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	*256,529*	*256,529*
At 31 December 2023	**1,552,034**	**(388,141)**	**8,721**	**117,991**	**1,290,605**
At 1 January 2022	**1,522,034**	**(388,141)**	**-**	**(266,774)**	**897,119**
Transactions with owners					
Distribution to reserves (Note 11)	-	-	1,873	(1,873)	-
Total transactions with owners	**-**	**-**	**1,873**	**(1,873)**	**-**
Profit for the year	-	-	-	136,957	136,957
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**136,957**	**136,957**
At 31 December 2022	**1,522,034**	**(388,141)**	**1,873**	**(131,690)**	**1,034,076**

Statement of cash flows

	Note	2023	2022
		In MKD thousand For the year ended 31 December	
Operating activities			
Profit for the year before tax		270,641	136,957
Adjusted for:			
Amortization and depreciation	5, 6	39,609	35,107
Write offs of property, plant and equipment	20	-	218
Provision for employee benefits	14	746	705
Income from release of deferred grants	17	(1,805)	(1,892)
Impairment of trade receivables	20	5,839	6,879
Write offs of trade receivables	20	12	3,736
Interest income	21	(1,715)	(1,098)
Interest expense	21	11,985	11,124
Operating profit before changes in working capital		325,312	192,096
Restricted cash and cash equivalents		(29,335)	(101,129)
Inventories		908	691
Provisions		(67)	(853)
Trade and other receivables		(4,306)	(65,316)
Trade and other payables		(28,782)	41,595
Cash from operating activities *after change in working capital*		263,730	67,084
Interest paid	12, 21	(11,985)	(11,124)
Interest received	21	1,715	1,098
Income tax paid		-	-
Cash flows from operating activities, net		**253,460**	**55,960**
Investing activities			
Purchase of property, plant and equipment and intangibles		(58,393)	(159,186)
Cash flows (used in) investing activities		**(58,393)**	**(159,186)**
Financing activities			
Proceeds from borrowings		74,157	241,321
Repayment of borrowings		(29,043)	(197,168)
Cash flows from / (used in) financing activities		**45,114**	**44,153**
Net change in cash and cash equivalents		240,181	(59,073)
Cash and cash equivalents at beginning		375,794	434,867
Cash and cash equivalents at the end	**10**	**615,975**	**375,794**

Notes to the financial statements

1 General

The shareholder company in state ownership for providing air navigation services M-NAV AD, Skopje (further referred to as “the Company”) is a joint stock company founded on 04 November 2008 and 100% owned by the Government of the Republic of North Macedonia

The Company’s registered head office is at Bosfor nr.7 Mralino, Ilinden, Republic of North Macedonia. As of 31 December 2023, the Company employs 310 persons (2022: 305 persons). In accordance with the provisions of the Aviation Law, the Company is authorized air navigation service provider. During 2022, the Company received a decision to extend the Work Certificate for providing aviation navigation services for a period of 2 years until 9 March 2024 (Note 9).

2 Accounting policies

The principal accounting policies that were adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis preparation

These financial statements have been prepared in accordance with the Law on Trade Companies (Official Gazette nr.28/2004...99/2022) and the Rulebook on accounting (Official Gazette nr.159 from 29 December 2009. nr.164 from 20 December 2010 and nr.107 from 10 August 2011). This Rulebook comprises the consolidated text of International Financial Reporting Standards (IFRS), including also the International Accounting Standards (IAS) and Interpretations as issued by IASB at 1 January 2009. The assumption of a going concern has been applied in the preparation of the financial statements.

The financial statements have been prepared on a historical cost basis. The basis for measurement of assets, liabilities, income and expense is described in detail in this Note.

Basis preparation (continued)

The preparation of these financial statements in conformity with the accounting standards accepted in the Republic of North Macedonia requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

These financial statements have been prepared as of and for the years ended 31 December 2023 and 2022. Current and comparative data stated in these financial statements are expressed in MKD thousands, which is presentation and functional currency of the Company, unless otherwise stated. Where necessary, the presentation of comparative data is adjusted according to the changes in the presentation for the current year.

2.2 Foreign currency transaction

Transactions denominated in foreign currencies have been translated into Denar using the middle exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars ("Denars") at the National Bank of the Republic of North Macedonia middle exchange rate on the last day of the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the Statement of comprehensive income as finance income or costs in the period in which they arise.

The middle exchange rates used for conversion of the items in the statement of financial position denominated in foreign currencies are as follows:

	31 December 2023	31 December 2022
1 USD	55.6516 Denars	57.6535 Denars
1 EUR	61.4950 Denars	61.4932 Denars

2.3 Property and equipment

Items of property and equipment are stated at historical or deemed cost less accumulated depreciation and impairment provisions, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they incurred.

Depreciation is charged on a straight-line basis, with purpose, to allocate the cost of property, buildings, vehicles and equipment up to their residual value over their estimated useful lives. Constructed assets are depreciated from the time they are put into use. No depreciation is provided on the land and construction in progress.

Property and equipment (continued)

The estimated useful lives of items of property and equipment are as follows:

	31 December 2023	31 December 2022
Buildings	40 years	40 years
Vehicles, equipment for radars, navigation and power	4 - 29 years	4 - 29 years
Furniture and office equipment	5 - 16 years	5 - 16 years

The estimated useful lives of the property and equipment as well as the applied depreciation method are reviewed at the end of each year and the effects of any changes are implemented as changes in accounting estimates having an effect on the change period and future periods.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Income and expenses on disposal or retirement are determined by comparing the disposal proceeds with the carrying amount and are included in Statement for comprehensive income as gains/losses in the period when they incurred.

2.4 Intangible assets

Intangible assets acquired by the Company with definite useful lives are recorded at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are capitalized only when it is probable that the future economic benefits will flow to the Company associated with the item and the cost of the item can be measured reliably. All other costs are recognized in profit or loss in the period incurred.

Amortization of intangible assets is charged on a straight-line basis for a period of five years. The estimated useful lives of the intangible assets as well as the applied amortization method are reviewed at the end of each year and the effects of any changes are implemented as changes in accounting estimates having an effect on the change period and future periods.

2.5 Impairment of non-financial assets

Property and equipment and intangible assets with definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the Statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of materials and spare parts are determined using the weighted average method and includes expenditure incurred acquiring the inventories and bringing them to their existing location and condition.

2.7 Financial assets

Classification

Company classifies its financial assets in the following categories: loans and receivables, financial assets held to maturity, held for trading financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition. As at 31 December 2023 and 2022, the Company classifies its financial assets as loans and receivables.

Initial recognition and measurement

All financial assets, except those measured at fair value through profit or loss, are initially recognized at cost, i.e., the fair value of the assets acquired at the time of acquisition, including acquisition costs.

Subsequent measurement of financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The Company's loans and receivables consist of trade and other receivables as well as cash and cash equivalents.

Loans and receivables are carried at amortized cost by applying the effective interest method..

b) financial assets held to maturity

All held-to-maturity investments are recognized at amortized cost using the effective interest method. Profit or loss is recognized in the income statement when the financial asset is derecognized or impaired, and through the amortization process. If the Company sells or reclassifies a significant amount of assets held to maturity before the maturity date, then the classification of the entire category would be called into question and would be reclassified as available-for-sale. As at 31 December 2023 and 2022, the Company has no assets classified as financial assets held-to-maturity.

c) Financial assets available for sale

Available-for-sale financial assets are investments that the Company intends to hold indefinitely, but may be sold to enhance liquidity, interest rate changes, exchange rates or the price of the instrument.

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Financial assets (continued)

Available-for-sale financial assets are measured at their fair value at the valuation and reporting date, which is their final price for investments for which there is an active market. Impairment losses are determined by an individual assessment of the financial condition of the issuer of the securities.

Interest income is recognized in the statement of comprehensive income using the effective interest method. Dividend income is recognized when the Company is entitled to a dividend. Exchange rate gains or losses on available-for-sale instruments are recognized in the profit or loss.

Other changes in fair value are recorded directly in equity until the investments are sold or impaired, and cumulative gains or losses on equity are recognized in the profit or loss.

As at 31 December 2023 and 2022, the Company has no assets classified as financial assets available for sale.

d) Financial assets held for trading

Investments in trading securities are investments for which the Company intends to hold for a certain period of time and to sell them when favorable conditions are created for that. Trading investments are measured at fair value at the valuation and reporting date.

Realized gains and losses, as well as unrealized gains and losses arising from changes in the fair value of financial assets held for trading are included in the profit or loss in the period in which they arise.

As at 31 December 2023 and 2022, the Company has no assets classified as financial assets held for trading.

Derecognition of financial assets

The financial assets cease to be recognized after the expiration of the rights to receive cash flows from the financial assets or after their transfer, and the Company has transferred significantly all risks and rewards of ownership.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are offset and the net amount is shown in the statement of comprehensive income only if permitted by the standards, or for certain gains and losses arising from groups of similar transactions, such as trading activities.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of the business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all receivables due according to the original terms of payments. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivables are impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. Assets with a short maturity are not discounted. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Statement of comprehensive income. When trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of comprehensive income.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term highly liquid investments with original maturities of three months.

2.10 Impairment of financial assets

Assets carried at amortized cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the Statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the Statement of comprehensive income.

2.11 Equity, reserves and retained earnings

(a) Shareholders' capital

A Shareholders' capital represents the fair value of monetary and non-monetary assets granted from the founder on the Company's opening balance date as well as subsequent capital increase through the distribution of retained earnings.

(b) Retained earnings/Accumulated losses

Retained earnings / accumulated losses comprise of realized profit/losses from the current period and prior periods.

(c) Discount on share capital

As of 01 January 2011, the share capital of the Company registered in the Central Registry of Republic of Macedonia amounting Denar 1,153,990 thousand, while in the accounting records of the Company amounted to Denar 765,849 thousand. During 2011, in order to reconcile the accounting records of the Company with the registered share capital in the Central Registry of the Republic of North Macedonia, the Company increased the amount of the share capital in its accounting records and recognized discount on issued shares in the amount of Denar 388,141 thousand.

d) Reserves

Reserves, which comprise of statutory and reserves for investing activities, are generated throughout the periods, based on distribution of the retained earnings based on legal regulation and decisions by the Company's management and shareholders. According to the legal regulation, reserves can be used to cover losses, purchase of treasury shares and payment of dividends.

2.12 Financial liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement.
All financial liabilities of the Company on the reporting date are classified in the category of financial liabilities at amortised cost consist of borrowings and trade and other payables

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from the suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade payables are derecognized when they are settled, cancelled or expired.

Other payables

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Other payables are derecognized when they are settled, cancelled or expired.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at their amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.13 Grants

Grants are systematically recognized as income during the asset's useful lives. Grants received are treated as deferred income in the accompanying financial statements. Income from grants is recognized in current profit or loss as other operating income.

2.14 Income tax

The expense for income tax for the reporting period is the sum of current and deferred tax.

Current income tax

Bases for calculation and payment of current tax on profit under rate of 10% profit before tax stated in the Statement of comprehensive income, adjusted for certain less declared revenues and non – deductible expenses for tax purposes, tax credit as well as other tax releases. Legal entities may use tax losses from current period for compensation of paid taxes related to certain period or for decrease or elimination of tax liabilities in the following periods.

Deferred income tax

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred tax expense.

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company has not recognized any deferred tax assets or liability as of 31 December 2023 and 31 December 2022, as there are no temporary differences existing at that date.

2.15 Employee benefits

Pension obligations

The Company has pension scheme as prescribed by the local social security legislation under which it contributes to its employees' post-retirement plans. Contributions, based on salaries, are made to the first and second pension pillar responsible for the payment of pensions. There is no additional liability regarding these pension plans.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligations

The Company pays jubilee awards for every ten years of uninterrupted service in the company, amounting to an average national net salary. Furthermore, the Company also provides its retirees special minimal amount (retirement indemnity) in amount of two monthly average salaries. The Company has recorded provision for this minimal amount for employee’s retirement on the reporting date.

2.16 Value-added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax from the purchase of assets or services is not reimbursable by the tax authority, in which case the value added tax is recognized as part of the expenses for the acquisition or as part of the cost where appropriate; and

- Receivables and liabilities which are presented with value added tax included.

The net amount of value added tax which is recoverable from, or payable to the tax authorities is included as part of the receivables or liabilities in the Statement of financial position.

2.17 Provisions

A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

2.18 Revenue and expense recognition

Revenue consists of revenue from provided services and is presented in Note 16. Revenue is measured by the fair value of the received reimbursement, i.e., the reimbursement that is received for the sold products and trade goods and the services, net VAT tax and sales discounts, if any.

Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the cost incurred or to be incurred can be measured reliably and the criteria for each of Company's different activities has been met. Revenue is recognized as follows:

Revenues from rendering services

Revenue from rendering services –is recognized by reference to the stage of completion when can be measured reliably. The stage of completion is determined based on an inspection of the work performed. Revenues from services disclosed in Note 16 are recognized as follows:

- *Revenues from route charges*

Republic of North Macedonia is a member country of Eurocontrol, which, like the other 38 member countries, has ratified the Multilateral Agreement for Compensation for Overflights and EU Regulation 1794/2006, for a common system for determining and collecting overflight charges and the use of Eurocontrol services according to which Eurocontrol calculates and collects the services from airlines.
Revenue from route charges is recognized based on monthly data and reports provided by Eurocontrol to the Finance Department of the Company, in accordance with the Multilateral Agreement.

Revenue and expense recognition (contimued)

According to the Government Decision on the method of determining the amount of the fee for the use of air navigation services, the method of payment and exemption from paying the fee, as well as the amount and method of determining the share of the fee for the use of air navigation services (Official Gazette No. 194/19) and the Agreement between the Company and the Civil Aviation Agency of the Republic of North Macedonia, revenues from route charges are distributed in a ratio of 83.2% for the Company and 16.8% for the Civil Aviation Agency on a monthly basis.

- *Revenues from terminal charges*

Revenues from terminal charges (landing, air traffic control, lighting) are recognized based on monthly data and reports that Eurocontrol submits to the Company Financial Department, based on the Agreement for Terminal Charges concluded between the Company and Eurocontrol dated 25 August 2016.

- *Income from other services*

Income from other services refers to air communication services (radio equipment and radar), based on concluded Agreements with Hungaro Control Magyar.

Rental income

Income from rents, less recognized discounts, if any, is recognized at the date of origin in accordance with the contract.

Interest income and costs

Interest is recognized on a time proportion basis that reflects the effective yield on the assets. Finance costs consist of interest cost on borrowings and interest on late payment. Borrowing costs are recognized in profit or loss using the effective interest method.

Operating expenses

Operating expenses are recognized upon utilization of the service or at the date of the origin.

2.19 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the Statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

2.20 Related parties' transactions

Related parties are those where one of the parties is controlled by the other or has significant influence in making financial or business decisions of the other party. The Company has no related parties therefore the related party's transactions are not disclosed in these financial statements.

2.21 Segment reporting

A segment is a distinguishable group of assets and operating activities that is engaged in providing products or services, subject to risks that are different from those of other segments. Geographical segment provides products and services within a defined economic surrounding exposed to risks different from those of other geographical segments. The Company performs one operational activity - provides air navigation services on the territory of the Republic of North Macedonia due to which the Company in the financial statements does not disclose information related to certain operating segments and geographical regions.

2.22 Events after the reporting date

Events after the reporting date that provide additional information about a Company's position at the Statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk and risks associated with the effects of changes in foreign currency exchange rates and interest rates. The Company's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Company's business performance.

Risk management is carried out by the Managing Board based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity.

3.2 Market risks

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro. The Company does not use any instrument to hedge the foreign exchange risk. The Company's Management is responsible to maintain adequate net position in each currency and in total.

The carrying value of the monetary assets and liabilities of the Company denominated in foreign currencies is as follows:

In MKD thousand		2023
	EUR	USD
Assets		
Trade receivables	223,288	-
Cash and cash equivalents	739,991	4
	963,279	**4**
Liabilities		
Borrowings and interest	251,979	-
Trade payables	7,679	-
	259,658	**-**

		2022
	EUR	USD
Assets		
Trade and other payables	213,940	-
Cash and cash equivalents	467,679	3
	681,619	**3**
Liabilities		
Borrowings and interest	206,865	-
Trade payables	31,852	-
	238,717	**-**

Market risk (continued)

The sensitivity analyses include only monetary items denominated in EUR at year end as foreign currency to which the Company has significant exposure, and a correction of their value is made for a 1% change in foreign currency rates. The negative amount indicates decrease in profit or other equity, which occurs when the denar strengthens its value against EUR by 1%. When the denar weakens its value against EUR by 1%, the effect on the profit or other equity is equal, but with opposite sign, as shown in the table below (in MKD thousands).

Foreign currency sensitivity analysis

In MKD thousands		Net amount		2023
EUR	1%	703,621	7,036	(7,036)
Profit/ (loss)		703,621	7,036	(7,036)
		Net amount		2022
EUR	1%	442,902	4,429	(4,429)
Profit/ (loss)		442,902	4,429	(4,429)

Cash flows and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligation with floating interest rate. The Company's Management is primarily responsible for daily monitoring of the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch.

The table below summarizes the Company's exposure to interest rate risks:

		In MKD thousands
	2023	2022
Financial assets		
Non-interest bearing:		
Trade receivables	2,527	2,837
Receivables from employees	240	322
Cash and cash equivalents	754,276	484,760
Interest bearing (with fixed interest rate):		
Trade receivables	181,301	171,968
Total	**938,344**	**659,887**
Financial liabilities		
Non-interest bearing:		
Trade and other payables	17,712	52,228
Liabilities to employees	44,315	40,174
Interest payables	162	1,066
Interest bearing (with variable interest rate):		
Borrowings	251,817	205,799
Total	**314,006**	**299,267**

Market risk (continued)

Sensitivity analysis

31 December 2023	Net amount	2%	-2%
	000 MKD	000 MKD	000 MKD
With variable interest rate	(251,817)	(5,036)	5,036

31 December 2022	Net amount	2%	-2%
	000 MKD	000 MKD	000 MKD
With variable interest rate	(205,799)	(4,116)	4,116

The positive, i.e., negative amount indicates increase/decrease in profit or other equity, which occurs when interest rates are higher/lower by 2%.

3.3 Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations at the reporting date. The Company has policies that limit the amount of credit exposure to any counter party.

The Company's maximum exposure to credit risk is presented by the carrying amount of each financial asset in the Statement of financial position date as summarized below:

	2023	2022
	000 MKD	000 MKD
Classes of financial assets – carrying value		
Loans and Receivables		
Trade receivables, net	183,828	174,805
Receivables from employees	240	322
Cash and cash equivalents	754,276	484,760
	938,344	**659,887**

Credit risk for cash and cash equivalents is materially insignificant due to assets being held in reputable banks with high credit ratings.

The age structure and quality of trade and other receivables are disclosed in Note 9.

3.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funds through adequate credit facilities and ability to collect timely, within the established terms, the amounts due from the customers. Due to the dynamic nature of the Company's business, the management aims to maintain flexible funds by keeping committed credit lines available. The following tables present the remaining contractual maturities of financial liabilities of the Company. The tables are prepared on the basis of undiscounted cash flows of financial liabilities.

31 December 2023					In MKD thousands
	Up to 1 year	1 to 2 years	2-5 years	Over 5 years	Total
Borrowings	40,289	40,289	120,867	50,372	251,817
Interest payables	162	-	-	-	162
Employees payables	44,315	-	-	-	44,315
Trade payables	17,712	-	-	-	17,712
	102,478	**40,289**	**120,867**	**50,372**	**314,006**

31 December 2022					In MKD thousands
	Up to 1 year	1 to 2 years	2-5 years	Over 5 years	Total
Borrowings	22,050	58,798	88,197	36,745	205,790
Interest payables	1,066	-	-	-	1,066
Employees payables	40,174	-	-	-	40,174
Trade payables	52,228	-	-	-	52,228
	115,518	**58,798**	**88,197**	**36,745**	**299,267**

3.5 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Gearing ratio

The structure of the Company's equity comprises of liabilities, which include interest bearing borrowings, cash and cash equivalents and equity, which comprises of shareholders' capital, reserves and retained earnings/losses.

The Management reviews the capital structure on an annual basis as a relation between the net loan liabilities and the total capital. The net loan liabilities are calculated as total liabilities for borrowings less the amount for cash and cash equivalents.

Capital risk management (continued)

The gearing ratio is recognized as follows:

	2023	2022
Borrowings	251,979	206,865
Cash and cash equivalents	(754,276)	(484,760)
Net (assets) / liabilities	(502,297)	(277,895)
Equity	1,290,605	1,034,076
	n/a	**n/a**

3.6 Fair value

Fair value represents the amount at which an asset could be replaced or a liability settled on an arms` length basis. Fair value has been determined based on management assumptions according to the profile of the asset and liability base.

3.6.1 Financial instruments presented at fair value

The financial assets measured according to the fair value in the Statement of financial position are in accordance with the hierarchy of the fair value which groups the financial assets and liabilities into three levels based on the significance of the input data used during the measurement of the fair value of the financial assets. Fair value hierarchy is as follows:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: other input data, aside from the quoted prices, included in Level 1 which are available for asset or liability, directly (i.e. as prices), or indirectly (i.e. made of prices) observable; and
- Level 3: input data on the asset or liability that are not based on observable data available for market.

The Company has no assets or liabilities classified in any of these categories as of the reporting date.

3.6.2 Fair value of financial assets not recognized at fair value in the statement of financial position

The following table summarizes the difference between carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value (in Denar thousand):

	Carrying value 2023	Carrying value 2022	Fair value 2023	Fair value 2022
Assets				
Trade r receivables, net	183,828	174,805	183,828	174,805
Receivables from employees	240	322	240	322
Cash and cash equivalents	754,276	484,760	754,276	484,760
Total assets	**938,344**	**659,887**	**938,344**	**659,887**
Liabilities				
Borrowings	251,817	205,799	251,817	205,799
Interest payables	162	1,066	162	1,066
Trade payables	17,712	52,228	17,712	52,228
Employees payables	44,315	40,174	44,315	40,174
Total liabilities	**314,006**	**299,267**	**314,006**	**299,267**

Fair value (continued)
Fair value of financial assets not recognized at fair value in the statements of financial position (continued)

Loans and receivables

Loans and receivables are carried at amortized cost, less privisons for impairment. Their fair value approximates to their carrying value, due to short-term maturity.

Cash and cash equivalents

The fair value of monetary assets that include cash and cash equivalents is considered to approximate their respective carrying values by definition and due to their maturity of less than 3 months.

Trade payables and borrowings

The carrying amount of liabilities to suppliers corresponds to their fair value due to their short-term maturity. The carrying amount of borrowings corresponds to their fair value due to the adjustment of interest rates to market rates for similar instruments.

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2 to the financial statements, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revised accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainty in judgments

Impairment of non- financial assets

Impairment losses are recognized in the amount for which the carrying value of the asset or the cash generating unit exceeds the recoverable amount. When determining the recoverable amount, the Management evaluates expected prices and cash flows from each cash generating unit and determines an appropriate interest rate when calculating the present value of such cash flows.

Impairment of financial assets

Impairment of trade and other receivables

Company calculates impairment for trade and other receivables based on estimated losses resulting from the inability of our customers to make required payments. The estimation is based on the ageing of account receivables balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms. These involve assumptions about future customer behavior and the resulting future cash collections. If the financial condition of customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

Useful life of depreciable assets

Management regularly reviews the useful lives of depreciable assets as at 31 December 2023. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analyzed in Note 5 and 6. However, the factual results may differ due to the technological obsoleteness.

Inventories

Inventories are stated at the lower of cost and net realizable value. When determining the net realizable value, Management takes into account the most objective evidence / data available at the date the assessments are made.

Critical accounting estimates and judgements (continued)

Impact of the global political-economic and energy crisis

The Company's management has made a full assessment of the impact of the global political-economic and energy crisis on the preparation and presentation of these financial statements, taking into account the following factors: current and expected profitability, the possibility of continuing to provide services and impairment of its assets.The Company's management performed an additional assessment of the appropriateness of the accounting policies, estimates and assumptions that were used during 2023 and their impact on the possible impairment of assets and financial position, then cash flows and the result of the Company's operations. The performed assessments do not indicate the existence of a materially significant uncertainty in the Company's ability to continue with its business activities in the future.

5 Property and equipment

	Buildings	Vehicles and equipment	Construction in progress	Total
Cost value				
At 01 January 2022	**210,655**	**704,597**	**265,989**	**1,181,241**
Additions during the year	1,491	43,808	112,587	157,886
Write-off	-	(393)	-	(393)
At 31 December 2022 / 01 January 2023	**212,146**	**748,012**	**378,576**	**1,338,734**
Additions during the year	-	10,532	47,861	58,393
Transfer from construction in progress	65,522	-	(65,522)	-
At 31 December 2023	**277,668**	**758,544**	**360,915**	**1,397,127**
Accumulated depreciation				
At 01 January 2022	**76,884**	**581,663**	**-**	**658,547**
Write-off	-	(175)	-	(175)
Depreciation for the year	5,724	27,402	-	33,126
At 31 December 2022 / 01 January 2023	**82,608**	**608,890**	**-**	**691,498**
Depreciation for the year	5,504	31,987	-	37,491
At 31 December 2023	**88,112**	**640,877**	**-**	**728,989**
Net carrying amount				
At 31 December 2022	**129,538**	**139,122**	**378,576**	**647,236**
At 31 December 2023	**189,556**	**117,667**	**360,915**	**668,138**

Grants

Part of the total equipment, whose net carrying value on December 31, 2023 is MKD 6,590 thousand (2022: MKD 8,395 thousand), are granted from several domestic and foreign legal entities. More details are disclosed in Note 13 below.

Construction in progress

	2023	2022
ATM equipment	199,353	184,282
Building	-	65,522
Meteo equipment	46,856	46,844
Mode S Radar	27,519	26,667
Parking system	34,983	26,208
Adaptation of construction space K.O Mralino	12,606	12,574
VCS System	29,164	7,545
Land	6,722	6,722
Optic cables	1,974	1,974
Modular UPS devices	1,500	-
Electric cables	172	172
Reconstruction of an existing building and a photovoltaic plant above the roof structure	66	66
	360,915	**378,576**

As at 31 December 2023 and 2022 the Company has no property pledged as collateral for borrowings from financial institution.

During 2023, the Company obtained utilization permit for its administrative building, after which the it was transferred from construction in progress into buildings amounting MKD 65,522 thousand. As of December 31, 2023, the Company is in the process of obtaining property deeds for part of its property, which net book value amounts to MKD 87,631 thousand.

6 Intangible assets

Capitalized costs for acquiring licenses

	Cost value	Amortization	Net carrying value
01 January 2022	**41,882**	**(34,325)**	**7,557**
Additions during the year	1,300	-	1,300
Amortization for the year	-	(1,981)	(1,981)
At 31 December 2022 / 01 January 2023	**43,182**	**(36,306)**	**6,876**
Additions during the year	-	-	-
Amortization for the year	-	(2,118)	(2,118)
At 31 December 2023	**43,182**	**(38,424)**	**4,758**

7 Financial instruments by category

The carrying amounts of the Company's financial assets and liabilities as recognized at the Statement of financial position date for the reporting periods under review may also be categorized as follows:

	2023	2022
Financial assets		
Loans and receivables		
Trade receivables, net	183,828	174,805
Receivables from employees	240	322
Cash and cash equivalents	754,276	484,760
	938,344	**659,887**
Financial liabilities		
Other financial liabilities (at amortization cost)		
Borrowings	251,817	205,799
Interest payables	162	1,066
Trade payables	17,712	52,228
Employees payables	44,315	40,174
	314,006	**299,267**

8 Inventory

	2023	2022
Materials	10,210	11,925
Spare parts	1,167	420
Small inventory in use	102	42
Car tires inventory	8	8
	11,487	**12,395**

9 Trade and other receivables

	2023	2022
Trade receivables		
Foreign	223,288	213,940
Local	123	9
	223,411	**213,949**
Less: Allowances for impairment of accounts receivables	(39,583)	(39,144)
	183,828	**174,805**
Other receivables		
Prepaid expenses for Certificate (Note 1, Note 20)	-	10,180
Value added tax receivables	3,325	9,167
Prepaid expenses	4,869	6,352
Receivables from employees	240	322
Receivables for advances	225	278
Receivables for grant-EBRD (Note 17)	7,072	-
	15,731	**26,299**
	199,559	**201,104**

Prepaid expenses for Certificate: During 2022, the Company received decision for extension of its operating certificate for providing air navigation services for a period of 2 years until 09 March 2024. Related fee amounts MKD 20,359 thousand, and is recognized in 2022 as prepaid expenses in the amount of EUR 10,180 thousand denars and EUR 10,180 thousand (2022: MKD 10,180 thousand) as other operating expenses (Note 1 and 20).

The ageing structure of trade receivables is as follows:

31 December 2023	Local	Foreign	Total
Not past due	123	91,746	91,869
Past due but not impaired			
Up to 30 days	-	65,225	65,225
From 1 to 3 months	-	33,717	33,717
From 3 to 6 months	-	4,360	4,360
From 6 to 12 months	-	356	356
Over 1 year	-	27,884	27,884
	123	223,288	223,411
Less: allowance for impairment	-	(39,583)	(39,583)
	123	**183,705**	**183,828**

31 December 2022	Local	Foreign	Total
Not past due	9	79,151	79,160
Past due but not impaired			
Up to 30 days	-	66,096	66,096
From 1 to 3 months	-	32,028	32,028
From 3 to 6 months	-	6,634	6,634
From 6 to 12 months	-	1,084	1,084
Over 1 year	-	28,947	28,947
	9	213,940	213,949
Less: allowance for impairment	-	(39,144)	(39,144)
	9	**174,796**	**174,805**

98.91% of the foreign trade receivables balance relate to receivables from Eurocontrol (2022: 98.67%). In accordance with the established cooperation protocol, invoicing for services rendered is performed on a monthly basis in the following month after the service has been provided. Collection of the receivables is made in the month following the month in which the invoice is issued.

Trade and other receivables (continued)

Movements in the impairment provision account of the periods reviewed are as follows

	2023	2022
At 1 January	39,144	35,828
Provision for impairment of receivables (Note 20)	5,839	6,141
Written off previously impaired receivables	(5,400)	(2,825)
On 31 December	**39,583**	**39,144**

During 2023, the Company has directly written off trade receivables in amount of MKD 12 thousand (Note 20) (2022: MKD 3,736 thousand).

10 Cash and cash equivalents

	2023	2022
Foreign exchange account	601,529	358,430
Denar account	9,555	10,686
Other – master cards	4,726	6,390
Cash on hand in foreign currency	165	286
Cash on hand – denar currency	-	2
	615,975	**375,794**
Restricted cash and cash equivalents	138,301	108,966
	754,276	**484,760**

According to the Notice received from EBRD, the minimal amount of restricted cash for the Contract concluded on 29 July 2022 is MKD 138,301 thousand (2022: MKD 108,966 thousand) as of 31 December 2023 (Note 12).

For the purpose of preparing the Statement for cash flows, the restricted cash is not classified as cash and cash equivalents.

11 Equity

Share capital

As at 31 December 2023 and 2022, the share capital of the Company amounts to MKD 1,552,034 thousand and it is divided in 1,552,034 shares with nominal value per share of MKD 1,000. All shares are in ownership of the Government of the Republic of North Macedonia.

Reserves

	Mandatory reserves	**Reserves for investing activities**	**Total**
01 January 2022	**-**	**-**	**-**
Distribution of reserves	1,873	-	1,873
31 December 2022	**1,873**	**-**	**1,873**
01 January 2023	**1,873**	**-**	**1,873**
Distribution of reserves	6,848	-	**6,848**
31 December 2023	**8,721**	**-**	**8,721**

During 2023, by Decision of the Management Board, MKD 6,848 thousand have been allocated to mandatory reserves.

12 Borrowings

	2023	2022
Long-term interest-bearing loans from domestic financial institutions		
Komercijalna Banka AD (5,000,000 EUR, due date 10.03.2030, interest rate 2,1%)	134,445	150,578
Less short-term portion	(21,510)	(16,133)
Long-term portion of interest-bearing borrowings	**112,935**	**135,445**
Interest-bearing borrowings from foreign financial institutions		
Long-term loan from EBRD	117,372	55,221
Less: short-term portion	(18,779)	(5,917)
Long-term portion of interest-bearing borrowings	**98,593**	**49,304**
Interest payables	162	1,066
Short-term portion of long-term borrowings	40,289	22,050
Short–term borrowings and short-term portion	**40,451**	**23,116**
	251,979	**206,865**

On 24 Sepember 2013 the Company has signed loan agreement nr.44067 for long-term borrowing with EBRD in total amount of EUR 11,150,000 with interest rate EURIBOR01+3.75% and repayment period of 12 years from the date of the loan agreement. According to the loan agreement, the Company is obliged to open a special account (DSRA account) on which a guarantee of restricted cash and cash eqivalents will be maintained (see Note 10).

On 10 January 2014, Annex nr.1 to the agreement was signed for change of the amount of the restricted cash on DSRA account and other clauses related to the operation of the Company. On 13 December 2016, Annex nr.2 to the agreement was signed for change of the amount of restricted cash on DSRA account, the repayment period and other clauses related to the operation of the Company. On 27 February 2021, Annex nr.3 to the agreement was signed for change of the repayment period and change of the value of one of the defined covenants.

During 2020, due to the COVID-19 pandemic, the Company requested with a letter of support from EBRD to reduce the minimum amount of restricted cash held on the DSRA account..According to a notification received from EBRD dated 27 May 2020, the Company was authorized to reduce the minimum amount of restricted cash and cash equivalents and starting from 15 June 2020 to have a minimum amount of EUR 1,300,000 on the account., according to the notification, EBRD approved repayment of the next 8 tranches in the period from 15 June 2020 through 15 June 2022, to be made from the account for restricted cash and cash equivalents.

Due to the changes in accordance with the annexes to the Agreement regarding the repayment periods and the dynamic od using the funds from the lon-term borrowings, the Company does not have an updated amortisation plan to the Agreement, and repays the loan according to EBRD notices (billing invoices). Accordingly, the current maturity is shown based on an estimate using the dinamics of previous repayments.

During the year 2022, the Company fully repaid the loan related to the Contract with EBRD dated 24 September 2013. On 29 July 2022, the Company signed a new loan contract with EBRD No. 53184 for a long-term borrowing in the total amount of 9,770,000 EUR and an interest rate of EURIBOR01+3.75%, with a repayment period of 10 years from the date of signing the Contract. According to the Contract, the Company is required to open a special account - DSRA, on which it will keep restricted cash as collateral (see also Note 10).

As at 31 December 2023, the Company has restricted cash on the special account in total amount of MKD 138,301 thousand (2022: MKD 108,966 thousand) (Note 10 and 24).

13 Deferred income from grants

	2023	2022
Received equipment donations from:		
- TAB TEPE AKFEN AD	5,745	7,100
- INDRA Spain	716	1,105
- A1 Makedonija	86	137
- Other	43	53
	6,590	**8,395**

Movement of donations during 2023 and 2022 is as follows:

	2023	2022
At 01 January	8,395	10,287
Depreciation of material assets received as grants (Note 17)	(1,805)	(1,892)
Additions during the year	-	-
At 31 December	**6,590**	**8,395**

14 Provisions

Provisions for employees' benefits

Change in the provisions account for employees' contributions for the reviewed period is as follows:

	2023	2022
At 1 January	6,130	6,278
Provision for employees' contributions (Note 19)	746	705
Release of provision for employees' contribution	(67)	(853)
At 31 December	**6,809**	**6,130**

15 Trade and other payables

	2023	2022
Trade payables		
Domestic	10,033	20,376
Foreign	7,679	31,852
	17,712	**52,228**
Other liabilities		
Liabilities towards employees for salaries	44,315	40,174
Liabilities to employees for taxes and contributions	23,832	21,616
Other liabilities	145	768
	68,292	**62,558**
	86,004	**114,786**

16 Revenues from operations

	2023	2022
Route charges	1,222,710	1,150,792
Terminal services	197,623	141,079
Other services	9,847	9,856
	1,430,180	**1,301,727**

17 Other operating income

	2023	2022
Income from grants (Note 13)	1,805	1,892
Rent	1,538	1,271
Compensation for damages from insurance companies	955	474
Income from grants-EBRD (Note 9)	7,079	-
Other income	3,377	225
	14,754	**3,862**

EBRD - income from grants - During 2023, the Company and EBRD signed an agreement for financing of costs for consulting services related to project implementation, technical support for controller training and air navigation safety. The total amount of the agreed grant amounts to EUR 406,000 thousand. Funds are paid out periodically based on actual costs incurred (See also Note 9).

18 Materials and maintenance expenses

	2023	2022
Electricity and heating expenses	14,465	32,472
Maintenance and security expenses	12,576	13,457
Water mains and colocation	12,575	12,373
Telecommunications and transport	4,841	4,552
Fuel	2,308	3,293
Materials	5,698	2,958
Communal services	517	842
Small inventory	358	233
	53,338	**70,180**

19 Personnel expenses

	2023	2022
Net salaries	562,393	567,570
Salary contributions and taxes	327,929	331,701
Other personnel expenses	80,377	71,337
Provisions for employees' contributions (Note 14)	746	705
	971,445	**971,313**

20 Other operating expenses

	2023	2022
Seminars and other consulting	20,731	1,979
Insurance premiums	11,512	13,300
Per diems and travel expenses	11,966	11,052
Certificate for the Civil Aviation Agency (Note 9)	10,180	10,180
Consulting services	7,912	4,494
Intellectual services	6,762	4,652
Expense for directly written off receivables (Note 9)	5,839	6,141
Donations	4,940	-
Security expenses	3,234	-
Bank charges	2,655	10,088
Rent expenses	2,285	1,569
Representation	1,509	2,872
Memberships for associations	1,604	1,580
Medical examinations of employees	1,042	863
Supervisory Board compensation	427	408
Carrying amount of write-off equipment (Note. 5)	-	218
Expense for directly written off receivables (Note 9)	12	3,736
Guarantee costs	-	1,309
Other expenses	5,918	4,806
	98,528	**79,247**

21 Finance income and expenses

	2023	2022
Income		
Interest income	1,715	1,098
Foreign currency exchange gains	234	630
	1,949	1,728
Costs		
Foreign currency exchange losses	(1,337)	(3,389)
Interest expenses	(11,985)	(11,124)
	(13,322)	(14,513)
Finance (expenses), net	**(11,373)**	**(12,785)**

22 Income tax expense

The reconciliation of the income tax according the Statement of comprehensive income for 2023 and 2022 is as follows:

	2023	2022
Profit before tax	270,641	136,957
Non-deductible expenses for tax purposes for the current year	13,615	16,990
Tax base	**284,256**	**153,947**
Reducing the tax base	(143,140)	(153,947)
Tax base after reducing	141,116	-
Tax rate	10%	10%
Income tax at the rate of 10%	**14,112**	**-**
Effective income tax rate	5.21%	-

23 Related party transactions

For the purposes of these financial statements have not been identified related parties with which the Company has transactions in the normal course of business.

Transactions with key management

Total expenses for the Company's key management are as follows:

	Receivables	Liabilities	Revenues	Expenses
2023				
Key management				
Key management benefits	-	-	-	14,322
	-	**-**	**-**	**14,322**
2022				
Key management				
Key management benefits	-	-	-	13,527
	-	**-**	**-**	**13,527**

24 Commitments and contingencies

Guarantees

As at 31 December 2023 and 2022 the Company has no commitments for issued guarantees.

Litigations

As at 31 December 2023 there are several court litigations against the Company based on labor disputes in total amount of MKD 28,524 thousand (2022: MKD 15,926 thousand). No significant liabilities have been anticipated from these proceedings, as professional advice indicates that it is unlikely that any significant loss will arise.

Commitments and contingencies (continued)

Tax liabilities

The financial statements and accounting records of the Company are subject to tax control by the tax authorities in the period of 5 years after the submission of the tax report for the financial year and additional taxes and costs may incur, primarily due to different interpretations of tax regulations by tax authorities. The tax books and records of the Company for 2023 have not been audited by the tax authorities, so the tax liabilities recorded in these financial statements cannot be considered final. Additional taxes and any sanctions that may result from such a tax inspection cannot be determined with reasonable certainty.

Financial contractual obligations

According to the Loan Agreement no.53184 signed on 29 July 2022, between EBRD and the Company, the Company is required to maintain a certain level of the following financial ratios for the duration of the loan as follows:

a. Debt service coverage ratio – not less than 1.2:1;

b. Net financial debt to EBITDA ratio – not more than 3:1

c. Financial debt to equity ratio – not more than 1:1;

d. Current ratio – not less than 1:3.

Actual ratios according to the provisions of the above-mentioned agreement are as follows:

Ratio	2023	2022
a. Debt service coverage ratio	16.35	1.99
b. Net financial debt to EBITDA ratio	(1.17)	(0.99)
c. Financial debt to equity ratio	0.2	0.20
d. Current ratio	10.45	5.19

Furthermore, the Company is obliged to maintain a Minimum Cash Balance - at all times to maintain a cash balance (excluding the minimum balance in the DSRA) of not less than EUR 1,000,000 (one million euros) or equivalent in other currencies at prevailing exchange rates (Note 13).

When calculating the debt service coverage ratio, the balance of cash in the DSRA account is not included, as these are restricted cash.

25 Events after the reporting date

After the reporting date 31 December 2023, until the approval of these financial statements, he following events are materially significant for publication in these financial statements:

- On 11.01.2024, according to the decision of the Government, the mandate of one member of the Supervisory Board was terminated and was replaced by a new member with a 4-years mandate.

- On 18.01.2024, according to the decision of the Supervisory Board, the mandates of two members of the Management Board were terminated and replaced by two new members with a 4-years mandate.

Grant Thornton