Purcari Wineries Public Company Limited

Report and Consolidated Financial Statements

For the year ended 31 December 2019

Contents

Board of Directors and other Officers

Board of Directors:

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Non-independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non-independent Director
Victor Arapan	Appointed by the AGM on 25 April 2019	Executive, Non-independent Director

Chairman of the Board of Directors: Vasile Tofan, firstly elected by the Board of Directors to this position on 14 June 2018 and re-elected by the Board on 25 April 2019

Company Secretary: Inter Jura CY (Services) Limited

Independent Auditors: KPMG Limited
14, Esperidon Street
1087 Nicosia
Cyprus

Registered office: 1, Lampousas Street
1095 Nicosia
Cyprus

Registration number: HE201949

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the annual consolidated financial statements of the Company

In accordance with Section 9 sub-sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on a Regulated Markets) Law of 2007 as amended (the "Law"), we, the members of the Board of Directors and the other responsible persons for the consolidated financial statements of Purcari Wineries Public Company Limited (the "Company") for the year ended 31 December 2019, confirm that, to the best of our knowledge:

(a) the annual consolidated financial statements which are presented in this Annual Report:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 9, sub-section (4) of the Law, and

(ii) give a true and fair view of the assets, liabilities, the financial position and the profit or loss of Purcari Wineries Public Company Limited and the undertakings included in the consolidated accounts taken as a whole, and

(b) the Consolidated Management Report provides a fair view of the development and the performance of the business as well as the financial position of the Company and the undertakings included in the consolidated accounts as a whole, together with a description of the principal risks and uncertainties that they face.

Members of the Board of Directors:

Vasile Tofan	Non-executive, Non-independent Director	
Monica Cadogan	Non-executive, Independent Director	
Neil McGregor	Non-executive, Independent Director	
Victor Bostan	Executive, Non-independent Director	
Victor Arapan	Executive, Non-independent Director	

Person responsible for the preparation of the annual consolidated financial statements of the Company:

Victor Arapan	Chief Financial Officer	

3 April 2020

Management report

1. CORPORATE INFORMATION

Purcari Wineries Plc ("Purcari", "Group", or "Company) is one of the largest wine groups in the Central and Eastern Europe (CEE) region. The Group manages over 1,392 hectares of vineyards and operates four production platforms in Romania and Moldova, three of which are dedicated to wine production using grapes from own vineyards and from third-party suppliers and one dedicated to brandy production. In December 2019, the Group had over 600 employees in its four production platforms.

The Group is the leader in the premium wine segment in Romania[1], with a 25% segment share, and the largest wine exporter from Moldova, delivering to over 40 countries in Europe (Poland, the Czech Republic, Slovakia, Ukraine, Scandinavian countries, UK, etc.), in Asia (China, Japan, South Korea) and in America (Canada and USA).
Founded in 1827, Purcari is the most awarded winery from the CEE region at Decanter London 2015-2019 and among the best ranked on Vivino.

The Group has 3 wine brands across wide range of price segments in the still and sparkling wine categories, as well as a brand in the popular premium brandy segment:

- **Premium wine: Purcari (**"True values don't change with time. Since 1827") is the Group's flagship brand, dating back to 1827. It achieved its first international success in 1878, winning the gold medal at the Paris World Exhibition with Negru de Purcari. The Group is the most awarded CEE winery at Decanter London in 2015-2019 with 52 medals. In 2019, the Group received 56 medals from Decanter, IWCS, Challenge International du Vin Bordeaux, Mundus Vini and Concours Mondial de Bruxelles. Chardonnay de Purcari awarded Platinum Medal and 97 points at Decanter World Wine Awards 2019. Purcari sparkling wine, Cuvee de Purcari Alb Brut, Extra Brut and Feteasca Alba won silver medals at Effervescents du Monde 2019, world's leading sparkling competition. Negru de Purcari 2015 ranked #1 in the world in the $10 - $40 price segment by Vivino.

- **Medium to premium wine**: **Crama Ceptura** ("14 days of extra sunshine") was acquired in 2003. It is primarily distributed in Romania. Ceptura is situated in the Dealu Mare region, which is among the most recognized wine regions in Romania, having a premium image, which strengthens the brand's value proposition. The brand story is based on the unique climate of Dealu Mare micro-zone, with bountiful sunshine combined with the favorable topography of the hilly area, near the Carpathian slopes, allowing for optimal sun exposure. Since 2014, Crama Ceptura wines are offered in three price categories: premium Cervus Magnus Monte, medium-priced Astrum Cervi, and economy plus Cervus Cepturum. A new price category introduced in 2019: upper medium-priced Dominum Cervi.

- **Economy plus to popular premium wine: Bostavan** ("Taste it. Love it.") was launched in 2005. Since 2013, a unified Bostavan umbrella brand was launched to support a portfolio of sub-brands in the economy and medium-priced segments and build stronger brand recognition for the wide family of wines. Starting with 2016, the Group focused on the gradual premiumization of the Bostavan brand, with the launch of Dor series, riding a cool-ethno communication platform. Outstanding performance for Sparkling Dor Alb Brut at Effervescents du Monde 2019 winning golden medal.

- **Medium to premium brandy: Bardar** ("Only grapes, oak and patience"). The brand was launched in 1929 with the foundation of the distillery by a German entrepreneur. Historically, the Group did not focus on pushing the branded sales of Bardar, relying predominantly on the sales of bulk brandy. However, starting 2015 Bardar changed its strategy, focusing on the sale of branded bottled products. The relaunch of Bardar as an aspirational, progressive brand has been a successful one turning it into a growth engine for the Group, fastest growing segment in the portfolio.

The Company is a public company incorporated and organized under the laws of Cyprus, registered with number HE 201949. The corporate seat of the Company is in 1 Lampousas Street 1095 Nicosia, Cyprus. The Company operates in accordance with Cypriot law, the Memorandum of Association and the Articles of Association.

The Company is a holding company for the Group, which comprises three subsidiaries in the wine segment, Vinaria Purcari, Crama Ceptura and Vinaria Bostavan and one subsidiary in the brandy segment, Vinaria Bardar. Vinaria Bardar

[1] Premium market size based on Nilesen data for 2019

is held through two other subsidiaries, Vinorum Holdings and West Circle. The Company has also minority participations, through the shares held by Vinaria Purcari in Glass Container Company, the leading Moldovan glass bottle producer and the shares held by Crama Ceptura in Ecosmart Union, a company responsible for recycling management.

The Company's subsidiaries and information related to the ownership interest as of December 31, 2019, are presented below:

	Company name	Country of Incorporation	Principle activity	Ownership interest, %
1	Vinorum Holdings Ltd	Gibraltar	Holding company	100%
2	West Circle Ltd	British Virgin Islands	Holding company	100%
3	Crama Ceptura SRL	Romania	Production, bottling and sales of wine	100%
4	Vinaria Bostavan SRL	Republic of Moldova	Production, bottling and sales of wine	99.54%
5	Vinaria Purcari SRL	Republic of Moldova	Production, bottling and sales of wine	100%
6	Vinaria Bardar SA	Republic of Moldova	Production, bottling and sales of divin	56.05%

The Group has no branches except the non-commercial Representation Office opened in China by its subsidiary Vinaria Purcari SRL during the year 2019.

2. SHAREHOLDERS AND ISSUED CAPITAL

Starting from 15 of February 2018, the shares issued by the Company started trading on the Bucharest Stock Exchange following to an initial public offering ("**IPO**") initiated by the shareholders Lorimer Ventures Limited, Amboselt Universal Inc. and IFC, for 49% of the Company's shares (representing 9,800,000 shares).

As at 31 December 2018 the share capital structure and the ownership of registered shares was as follows:

	Number of shares	% of ownership
Amboselt Universal Inc.	5,006,172	25.0309%
Lorimer Ventures Limited	4,539,233	22.6962%
Franklin Templeton	1,700,000	8.5000%
Magna Umbrella Fund	1,302,226	6.5111%
SEB	1,285,780	6.4289%
Conseq	936,411	4.6821%
International Finance Corporation	654,591	3.2730%
Others	4,575,587	22.8779%
Total	**20,000,000**	**100%**

As at 31 December 2018, the Company directors with any holdings in the Company's share capital were as follows:

	Shares held, number	Shares held, %
Victor Bostan (through Amboselt Universal Inc.)	5,006,172	25.0309%

As at 31 December 2019 the share capital structure and the ownership of registered shares was as follows:

	Number of shares	% of ownership
Amboselt Universal Inc.	5,006,172	25.0309%
Fiera Capital	1,885,297	9.4265%
Conseq	1,242,673	6.2134%
East Capital	1,135,156	5.6759%
SEB	1,101,873	5.5094%
Franklin Templeton	1,023,987	5.1199%
Others	8,604,842	43.0242%
Total	**20,000,000**	**100%**

As at 31 December 2019, the Company directors with any holdings in the Company's share capital were as follows:

	Shares held, number	Shares held, %
Victor Bostan (through Amboselt Universal Inc.)	5,006,172	25.0309%

Directors' holdings of Company share capital on 31.12.2019 and five days prior to the approval of the Annual Report 2019

There were next fluctuation in shareholdings of directors between end of the reporting year and the 29 March 2020, which is five (5) days before the date of approval of the financial statements by the issuer's board of directors:

Director	Nature of Interest	Number of Shares held on 31.12.2019	Number of Shares held on 29.03.2020	Percentage of Shares held on 31.12.2019	Percentage of Shares held on 29.03.2020
Victor Bostan (through Amboselt Universal Inc)	Beneficial	5,006,172	4,006,172	25.0309%	20.0309%
Victor Arapan	Beneficial	-	8,300	-	0.0415%

3. DEVELOPMENTS IN 2019

Good 2019 harvest, despite adverse weather conditions worldwide
In 2019, own harvest 1% lower vs. previous record year, but better than MD / RO / EU averages. World production was down by 10%, EU's down 15%. Processed grapes +11% vs 2017 along with significant stocks build-up in 2018 season are well enough to support ambitious sales plan in 2020. Third party purchases significantly lower, as have sufficient stock from 2018 season in which record purchases were made, especially for red wines and brandy distillates, which can be stored for longer.

Ongoing investment into quality, processes
The Company invested RON 43 million in CAPEX, primarily meant to significantly expand production capacities, acquisition of production facility and vineyards, built new bottling section with storing and warehouse facilities, modernized the sewage processing facility, re-equipped grape processing and fermentation equipment, acquired Mythos vinificators which lowers CO2 footprint, as reusing it during fermentation, extended storing capacities and aging warehouse, planting new vineyards.

Successful launches, exceptional perception of the quality by professionals and regular consumers:
In 2019 the Group continued diversification, by focusing on varietal wine: launching a summer hit Traminer de Purcari scoring 4.5 on Vivino and Malbec de Purcari, a wine with strong personality. Chardonnay de Purcari awarded Platinum Medal and 97 points at Decanter World Wine Awards 2019. Purcari sparkling wine, Cuvee de Purcari Alb Brut, Extra Brut and Feteasca Alba won silver medals at Effervescents du Monde 2019, world's leading sparkling competition. Negru

de Purcari 2015 ranked #1 in the world in the $10 - $40 price segment by Vivino. Outstanding performance for Sparkling Dor Alb Brut at Effervescents du Monde 2019 winning golden medal.

4. ANTICIPATED DEVELOPMENTS FOR 2020

In the light of the COVID-19 pandemic which constitutes a dual crisis, both in relation to public health as well as in relation to potential severe economic disruption that may lead to global recession, and of the fact that the pandemic is still developing with unknown containment timeframe at the time of issue of this Annual Report in countries where the Group is operating or have traditionally been significant markets for the Group, the Management of the Company, – although it has formed the view that the Group and the Company will have sufficient resources to continue operating as going concern for a period of at least 12 months from the reporting period of this Annual Report (see Subsequent Events Section of this Report) –, is unable to provide, due to risks and uncertainties created by the pandemic, solid predictions as to the anticipated developments of the business activities and the economic position of the Group and of the Company for 2020.

5. CORPORATE GOVERNANCE

COMPANY MANAGEMENT

The Company is currently managed by a Board of five directors. The Board comprises two independent non-executive directors within the meaning of the Code on Corporate Governance of the Bucharest Stock Exchange ("**BVB Corporate Governance Code**"), as follows:

The composition of the Board

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Non-independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non-independent Director
Victor Arapan	Appointed by AGM on 25 April 2019	Executive, Non-independent Director

Mr. Vasile Tofan, non-executive director, was firstly elected by the Board of Directors as the Chairman of the Board on 14 June 2018 and re-elected to this position by the Board on 25 April 2019.

Brief bio of Mrs. Monica Cadogan:
Mrs. Cadogan holds a BA in Banking, Corporate, Finance and Securities Law from the Bucharest University of Economic Studies and has extensive experience in managing a business. She is the founder and CEO of Vivre Deco, the leading CEE e-commerce platform for home & furniture products. In addition, between 2009 and 2015 she was a member of the board of directors of Neogen, a technology group that develops or invests into products with a CEE presence and which developed BestJobs, the leading recruiting service in Romania.

Brief bio of Mr. Vasile Tofan:
Mr. Tofan received an MBA from Harvard Business School with distinction and holds a Master of Science in Public Management from Erasmus University Rotterdam. He is a partner of Horizon Capital, where he focuses on investments in the Consumer Goods and Technology sectors. Prior to joining Horizon Capital, Mr. Tofan was a consultant with Monitor Group and a Senior Manager with Philips, both in Amsterdam, in their Corporate Strategy department.

Brief bio of Mr. Victor Bostan
Victor Bostan has been the founder of the Group since 2002. Mr. Bostan has been involved in the wine industry for over 35 years. At the beginning of his career, he worked for over 10 years for the Sofia Winery, starting as an oenologist and growing through the ranks, before leaving to start his own wine business. From 1999 to 2002 Mr. Bostan was the owner and CEO of the Russian winery Kuban Vino. During this time, he has managed to upgrade, relaunch, and subsequently lead the company to become one of the largest and most successful wineries in Russia (it is the #1 producer still today), before selling the business in 2002. With the proceeds, Mr. Bostan set the basis of what now constitutes the Purcari Wineries group. Mr Bostan has a degree in Wine Technology from the Technical University of Moldova. Mr. Bostan is a national of Romania and Republic of Moldova and speaks French, Romanian and Russian.

Brief bio of Mr. Neil McGregor:
He holds a Bachelor of Laws (LLB) from the University of Aberdeen. Mr. McGregor is the founder and managing partner of McGregor & Partners SCA, the law firm in Romania and Bulgaria which is associated with the international firm Stephenson Harwood. He is a British commercial solicitor with extensive experience in Romania and its neighbouring countries since 1996. He is a member of the Bucharest Bar and is also a registered foreign lawyer in Bulgaria. Mr. McGregor is the Chairman of the British Romanian Chamber of Commerce.

Brief bio of Mr. Victor Arapan
Victor Arapan has been Chief Financial Officer (CFO) of the Group since 2010. He has over 20 years of banking, audit, and corporate finance experience. Prior to joining the Group, Mr. Arapan worked at Acorex Wineries, PricewaterhouseCoopers and Victoriabank. Mr. Arapan has a degree in Banking at the International Management Institute. Mr. Arapan is a national of Romania and Republic of Moldova and speaks English, Romanian and Russian.

During 2019 the Board of Directors had eleven meetings. Below is a summary table of those meetings:

Date of Meeting	Attendance	Main topics
31 January2019	All directors in person	1. Approval of construction contract between its subsidiary VinariaPurcari SRL and Reconscivil SRL Moldova. 2. Authorization of Mr. Oleg Ciornaii and Mr. Victor Arapan to sign on behalf of its subsidiary.
22 February 2019	All directors in person	1. Approval of the transaction between its subsidiary Vinaria Purcari SRL and Vismos SRL Moldova for acquisition of vineyards in Chetrosu (Moldova) village and movable assets. 2. Approval of the transaction between its subsidiary Vinaria Bostavan SRL and Vismos SRL Moldova for acquisition vineyards and grape processing factory in Moscovei village (Moldova) and movable assets. 3. Authorization of Administrators of subsidiaries to sign the deals.
15 March 2019	All directors in person	1. Approval of new loans from Moldova-Agroindbank SAfor company's subsidiaries Vinaria Purcari SRL and Vinaria Bostavan SRL
29 March 2019	All directors in person	1. Approval of the Annual Financial Report 2. Approval of the Management Report. 3. Proposal to the AGM to distribute dividends for year 2018 in amount of RON 0.95 per each ordinary share. 4. Proposal to AGM to approve Special Resolution 1 regarding Share Buyback program framework. 5. Proposal to the AGM to approve Special Resolution 2 regarding Changes in Articles of Association with new text of Regulation 86. 6. Proposal to the AGM to approve Special Resolution 3 regarding Changes in Articles of Association with new text of Regulation 157-159. 7. Acceptance of resignation letter of Mr. John Maxemchuk as Director. 8. Proposal to AGM for appointing Mr. Victor Arapan as Executive Director. 9. Acceptance of resignation letter of Mr. John Maxemchuk as Assistant Secretary. 10. Appointment of Mr. Victor Arapan as Assistant Secretary. 11. Proposal to AGM for re-appointing Mrs. Monica Cadogan, Mr. Vasile Tofan and Mr. Neil McGregor as Non-Executive Directors. 12. Appointment of Mr. Eugen Baltag as Group Internal Auditor starting 1 May 2019. 13. Approval of Notice for AGM and Proxy, and date and place for holding AGM.

25 April 2019	All directors in person	1. During this first meeting after AGM held on the same day, the Directors constituted the Board of Directors as a body. 2. The Board decided the composition of Board Committees.
14 May 2019	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 1Q2020. 2. Authorization of Mr. Victor Bostan and Mr. Victor Arapan to represent the company's interests (collectively or individually). 3. Authorization of Mr. Victor Arapan to represent the company and sign any kind of documents required for implementation of Share Buyback Program
12 August 2019	All directors in person	1. Approval of Semiannual Unaudited Consolidation Financial Information for2020. 2. Update on Agri sector and preparedness for new harvesting season. 3. COO report on 60 days in job. 4. Development on Speed Husi acquisition.
28 October 2019	All directors in person	1. Preliminary analysis of Budget 2020
7 November 2019	All directors in person	1. Preliminary analysis of 9M2020 financials.
18 November 2019	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 9M2020.
8 December 2019	All directors in person	1. Approval of Company 2020 budget. 2. Update on Speed Husi. 3. Approval of Financial Calendar for 2020.

Board's committees

The audit committee and the nomination, remuneration and corporate governance committee have been created in the IPO context, subsequently activated and have the following compositions following AGM of June 14th, 2018:

<u>Audit Committee:</u>

<u>Chairperson</u>: Mrs. Monica Cadogan (independent, non-executive director)
<u>Members</u>:
- Mr. Neil McGregor (independent, non-executive director).
- Mr. Vasile Tofan (non-independent, non-executive director),

<u>Audit Committee: Mission and Composition</u>
The Audit Committee has a monitoring and advisory role and its mission consists in monitoring the financial reporting process and assisting the Board in carrying out its tasks related to financial reporting, internal control and risk management.

The Audit Committee has the powers and responsibilities for the carrying out of the duties set forth in the BVB Corporate Governance Code and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents of the Company and the Internal Regulation of the Audit Committee of the Company. The Audit Committee also operates in line with and applies section 78 of the Cyprus Auditors Act, 2017.

<u>Nomination, Remuneration and Governance Committee:</u>

<u>Chairperson</u>: Mr. Neil McGregor (independent, non-executive director)
<u>Members</u>:
- Mr. Vasile Tofan (non-independent, non-executive director),
- Mrs. Monica Cadogan (independent, non-executive director).
- Mr. Victor Bostan (non-independent, executive director).

<u>Nomination, Remuneration and Governance Committee: Mission and Composition</u>
It was decided to expand the scope of activities of the Nomination and Remuneration Committee stated in the Prospectus, to include Governance. The Committee has an advisory role and its mission is to assist the Board in performing its powers related to nomination and remuneration matters.
The Nomination, Remuneration and Governance Committee of the Company has the powers and responsibilities for the carrying out of the duties set forth in the BVB Corporate Governance Code, and regulations, terms of reference, policies,

resolutions, rules and other by-laws, internal documents of the Company and the Internal Regulation of the Nomination and Remuneration Committee.

The Group's current **Senior Management Team** includes the following members, which are employed at the level of the Group's subsidiaries:

Victor Bostan
For the short bio of Mr. Victor Bostan, please see above the sub-section above describing the composition of the Board.

Victor Arapan
For the short bio of Mr. Victor Arapan, please see above the sub-section above describing the composition of the Board.

Eugen Comendant
Eugen Comendant has been Chief Operating Officer (COO) of the Group starting June 2019. Mr. Comendant has over 10 years management experience in Western Europe and Middle East. Previously held positions were Marketing and Sales Director with Virgin Mobile Middle East and Africa based in Oman, and European Director of Mobile & Triple-Play division with ACN Europe based in the Netherlands. Mr. Comendant is a Dutch national, holds a BBA degree from HES Amsterdam University of Applied Sciences, and speaks English, Romanian, French, Russian and Dutch.

Artur Marin
Artur Marin has been Chief Commercial Officer (CCO) of the Group since 2013. Mr. Marin has been with the Group since 2003, with an interruption between 2009-2012, when he worked for Dionis Club, a competing winemaker. He has over 16 years of wine sales experience. Mr. Marin holds a bachelor's and a master's degree in finance from the Grenoble School of Management. Mr. Marin is a national of Romania and Republic of Moldova and speaks English, Romanian and Russian.

Marcel Grajdieru
Marcel Grajdieru has been the General Manager for Romania since 2003. Mr. Grajdieru has over 16 years of experience in the Group, out of which over 11 years in wine sales. Prior to joining the Group, Mr. Grajdieru worked at Planta-Vin, EMC-Moldova and Gazprom. Mr. Grajdieru trained as a surgeon and has a medical degree from the State University of Medicine and Pharmacy. Mr. Grajdieru is a national of Romania and Moldova and speaks Romanian, Russian and English.

Nicolae Chiosa
Nicolae Chiosa has been the Head of Production since 2009 and the Manager of Vinaria Bostavan since 2016. He has over 10 years of experience in wine production, out of which 9 years in the Group. Mr. Chiosa has a degree in Wine Technology from the Technical University of Moldova. He is a national of Romania and Moldova and speaks English, Romanian and Russian.

Federico Giotto
Frederico Giotto has been the Head Wine Making of the Group since 2010, on a consulting basis. Mr. Giotto has over 16 years of wine consulting experience and is a laureate of numerous international awards in the wine industry. Mr. Giotto graduated the Faculty of Viticulture and Oenology at the University of Padua. Mr. Giotto is a national of Italy and speaks English and Italian.

Natalia Bunciuc
Natalia Bunciuc has joined the Group as Human Resources Director in 2018. Ms. Bunciuc has over 10 years of experience in HR management & people development. Ms. Bunciuc has a degree in Law. She speaks English, Romanian and Russian.

Adrian Solomon
Adrian Solomon has been Marketing Director of the Purcari Group since March 2020. He has a bachelor's degree in economics, Marketing and Merchandising and master's degree in business administration at Academy of Economics Studies from Moldova. Previous Mr. Solomon had been managing a Marketing department over 10 years in a Company that provides cultural exchange programs in USA, France and Australia. Mr. Solomon speaks Romanian, English, French and Russian.

Sergei Kasatkin, the lawyer, was appointed as the Compliance Officer of the Company.

Starting with January 2018, the Company adopted and adheres to the Bucharest Stock Exchange (BVB) Corporate Governance Code and applies the principles of corporate governance provided by it with only limited exceptions. The Company has taken and will continue to take the professional, legal and administrative steps necessary for ensuring compliance with the provisions of the BVB Corporate Governance Code. More details about the compliance with the principles and recommendations stipulated under the BVB Corporate Governance Code are presented in Annex 2 and the Volume containing the Annual Financial Report 2019, AGM addresses and related materials.

6. FINANCIAL RESULTS

Consolidated Financial Information for the years ended 31 December 2019 and 31 December 2018 is presented below:

Consolidated Statement of Financial Position	**31 December 2019**	**31 December 2018**	**Change, %**
Assets			
Property, plant and equipment	141,488,777	98,259,527	44%
Intangible assets	1,186,568	1,073,576	11%
Equity-accounted investees	1,298,685	298,959	334%
Equity instruments at fair value through profit or loss	12,766,688	12,484,972	2%
Inventories	49,663,983	34,878,531	42%
Other non-current assets	50,928	48,014	6%
Non-current assets	**206,455,629**	**147,043,579**	**40%**
Inventories	75,264,697	78,267,427	(4%)
Trade and other receivables	53,887,343	58,936,752	(9%)
Cash and cash equivalents	12,573,775	21,803,241	(42%)
Income tax assets	236,000	660,552	(64%)
Prepayments	5,652,967	3,628,145	56%
Other current assets	108,691	94,201	15%
Current assets	**147,723,473**	**163,390,318**	**(10%)**
Total assets	**354,179,102**	**310,433,897**	**14%**
Equity			
Share capital	728,279	728,279	0%
Share premium	82,533,921	82,533,921	0%
Treasury shares reserve	(4,573,126)	-	100%
Other reserves	1,946,882	-	100%
Translation reserve	15,160,426	9,658,866	57%
Retained earnings	64,739,104	47,358,345	37%
Equity attributable to owners of the Company	**160,535,486**	**140,279,411**	**14%**
Non-controlling interests	**16,734,268**	**13,842,222**	**21%**
Total equity	**177,269,754**	**154,121,633**	**15%**
Liabilities			
Borrowings and lease liabilities	65,565,824	69,235,581	(5%)
Deferred income	3,477,902	2,251,318	54%
Deferred tax liability	7,601,643	6,206,696	22%
Non-current liabilities	**76,645,369**	**77,693,595**	**(1%)**
Borrowings and lease liabilities	45,212,255	28,569,171	58%
Deferred income	561,616	340,880	65%
Income tax liabilities	1,970,066	1,860,216	6%
Employee benefits	3,024,711	2,227,775	36%
Trade and other payables	42,700,446	40,065,471	7%
Provisions	6,794,885	5,555,156	22%
Current liabilities	**100,263,979**	**78,618,669**	**28%**
Total liabilities	**176,909,348**	**156,312,264**	**13%**
Total equity and liabilities	**354,179,102**	**310,433,897**	**14%**

Consolidated Statement of Profit or Loss and OCI	2019	2018	Change, %
Revenue	199,099,390	168,118,988	18%
Cost of sales	(100,153,415)	(85,480,298)	17%
Gross profit	**98,945,975**	**82,638,690**	**20%**
Other operating income	1,035,439	259,477	299%
Marketing and sales expenses	(19,597,134)	(13,868,082)	41%
General and administrative expenses	(23,533,214)	(23,030,030)	2%
Impairment loss on trade and loan receivables, net	(369,706)	89,842	(512%)
Other operating expenses	(1,688,645)	598,235	(382%)
Profit from operating activities	**54,792,715**	**46,688,132**	**17%**
Finance income	-	4,954,887	(100%)
Finance costs	(6,854,103)	(3,908,137)	75%
Net finance income /(costs)	**(6,854,103)**	**1,046,750**	**(755%)**
Share of profit of equity-accounted investees, net of tax	999,721	973,260	3%
Profit before tax	**48,938,333**	**48,708,142**	**0%**
Income tax expense	(8,474,858)	(6,975,212)	21%
Profit for the year	**40,463,475**	**41,732,930**	**(3%)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences	6,089,567	5,081,824	20%
Other comprehensive income for the year	**6,089,567**	**5,081,824**	**20%**
Total comprehensive income for the year	**46,553,042**	**46,814,754**	**(1%)**
Profit attributable to:			
Owners of the Company	36,295,520	37,965,900	(4%)
Non-controlling interests	4,167,955	3,767,030	11%
Profit for the year	**40,463,475**	**41,732,930**	**(3%)**
Total comprehensive income attributable to:			
Owners of the Company	41,797,080	42,594,716	(2%)
Non-controlling interests	4,755,962	4,220,038	13%
Total comprehensive income for the year	**46,553,042**	**46,814,754**	**(1%)**
Earnings per share, RON			
Basic and diluted earnings per share	**1.82**	**1.91**	(5%)

EBITDA Statement	Indicator	2019	2018	Change, %
Adjusted EBIDTA	**Adjusted EBIDTA**	**65,360,842**	**55,331,269**	**18%**
Non-recurring general and administrative expenses related to IPO		-	(918,424)	(100%)
EBITDA	**EBITDA**	**65,360,842**	**54,412,845**	**20%**
Less: depreciation for the year		(9,455,652)	(6,565,039)	44%
Less: amortization for the year		(112,754)	(186,414)	(40%)
Result from operating activities	**EBIT**	**55,792,436**	**47,661,392**	**17%**
Less: net finance income/ (costs)		(6,854,103)	1,046,750	(755%)
Earnings Before Income Taxes	**EBT**	**48,938,333**	**48,708,142**	**0%**
Less: tax expense		(8,474,858)	(6,975,212)	21%
Profit for the year		**40,463,475**	**41,732,930**	**(3%)**

In 2019, Sales of the Group increased 18% year on year to RON 199.1 million. Romanian market remained the largest growth driver, growing +26% year-on-year and accounting for 42% of sales of finished goods. Sales in Moldova increased by +19% year-on-year, while sales in Poland went up 18%. The Group maintained the premiumization trend with strong increase of Purcari by +33% year-on-year, followed by Bardar, the Group's premium brandy, +27% increase in sales and now accounting for 15% of total sales of finished goods, driven by ongoing shift from bulk to branded bottled brandy.

The Group maintained a stable Gross Profit margin, with slight increase by 1 pp year-on-year to 50%.
Marketing and sales expenses grew by 41%, mostly pushed by trade and marketing activities with purpose to create space for future growth and higher salary costs.
General and administrative expenses grew only by 2%, demonstrating a strong control system in place.
Overall SG&A increased by 17% year-on-year, keeping the same share in Revenue and still on par or below wine peers.

Overall, EBITDA adjusted for one-off IPO costs grew by 18% year-on-year, while Net Profit decreased by 3% year-on-year. The Net Profit significantly impacted by 48% increase of interest expense in 2019 compared to 2018, due to increase of indebtedness in order to finance expansion of facilities and organic growth. The expended capex program lead to increase of expenses with depreciation with 44% year-on-year.

Net profit figure for 2019 includes the expenses recognized under equity-settled share-based payments, related to implementation of AGM decision of 2018 and 2019 regarding the Incentive Program for top and middle management and granting shares free of charge.
Net Profit figure for 2018 includes effects of one-off gain of a minority holding, reclassified from associate into equity instruments measured at fair value through profit or loss.
Adjusting for share-based payments, fair value gain effect and one-off IPO costs, Net Profit grew 10% year-on-year.

A summary of consolidated financial position for the years ended 31 December 2019 and 31 December 2018 is presented below:

	31 Dec 2019	31 Dec 2018	Change, %
Non-current assets	206,455,629	147,043,579	40%
Current assets	147,723,473	163,390,318	(10%)
Total assets	**354,179,102**	**310,433,897**	**14%**
Total equity	**177,269,754**	**154,121,633**	**15%**
Non-current liabilities	76,645,369	77,693,595	(1%)
Current liabilities	100,263,979	78,618,669	28%
Total liabilities	**176,909,348**	**156,312,264**	**13%**
Total equity and liabilities	**354,179,102**	**310,433,897**	**14%**

Non-current assets amounted to RON 206.5 million as of December 31, 2019, a 40% increase year-on-year. The increase is primarily driven by production CAPEX, increase in long-term inventories of wine and distillates. Current assets decreased by 10% year-on-year to RON 147.7 million. The decrease was mainly attributable to cash and cash equivalents that were used for significant capex, followed by decrease in account receivables due to improvement in collection process. Current liabilities increased by 28% year-on-year, as Borrowings and Finance Lease recorded a significant increase of 58%. Total Debt of the Group was 13% higher than last year, in order to finance organic growth and expansion of facilities. Net Debt to EBITDA stood at 1.5x at the end of 2019.

7. PRINCIPAL SCOPE OF BUSINESS / NON-FINANCIAL INFORMATION

The Company is a leading player in the wine and brandy segments in the CEE region. The Group has a range of wine brands across all price segments in the still and sparkling wine segments and a brand in the popular premium brandy segment, holding international and national IP rights on all its important brands.

The Group operates four production platforms in Romania and Moldova, three of which are dedicated to wine production and one dedicated to brandy production.

Competitive strengths

(a) Geographical proximity to the rapidly growing CEE markets offering plenty of room for further development
The growth of the wine consumption in the core CEE markets for the Company exceeded that of beer and spirits, evidencing a secular shift towards higher wine consumption in expense of other alcoholic beverages. According to Euromonitor, the combined size of the wine market in the core CEE markets grew by a 2.1% CAGR in volume terms between 2014 and 2016 versus a decline of 1.2% and 3.2% for beer and spirits, respectively. According to Euromonitor, the combined size of wine market in the core CEE markets (Romania, Poland, Czechia, Slovakia) is projected to continue growing by a 4.9% CAGR in value terms between 2018-2022, with Romania being the leading market at 10% CAGR. In product terms, still wine segment expected to grow at 5.5% CAGR, while the sparkling wines segment is projected to grow at 5.0% CAGR.
Per capita wine consumption in the Group's core markets stands much lower versus the levels of a number of Western European countries. For example, per capita wine consumption stood at circa 6 liters in Poland and 16 liters in Romania versus 33 liters in Italy and 43 liters in France. In comparison to beer, the "share of throat" of wine stands at 6% volume share in Poland and 15% in Romania, according to Euromonitor, lagging behind 54% and 58% in Italy and France.
On both metrics, the Group's core wine markets offer plenty of room to catch up to the levels in Western European countries.

(b) Solid route to market and track record of accelerated growth across CEE
The Group has an extensive field sales force in Romania and Moldova, its domestic markets, while relying on largely remote coordination of activities, via distributors and direct shipments to retail, in the export CEE markets.
The Company's sales of wine and brandy increased to RON 194.5 million, 19.3% up year-on-year. The performance has been driven by a strong and steady growth in Romania and Moldova, which contribute to a combined 65% share from sales of finished goods in 2019.
The Group works with the major retailers across the region, including Ahold, Auchan, Biedronka, Carrefour, Eurocash, Kaufland, Lidl, Metro, Rewe, Selgros, Tesco, etc, employing a mixed model of serving key accounts by direct to retail contracts or via distributors.

(c) Strong and diversified portfolio catering to complementary market segments
The Company's philosophy is that any businesses shall start with the consumer in mind, which subsequently cascades down into operations. To that end, the Company's operations are organized around its four core brands – Purcari, Crama Ceptura, Bostavan and Bardar – which cater to various consumer demographics and occasions. The table below summarized the positioning of each brand and its role in the Company's portfolio:

	Purcari	**Crama Ceptura**	**Bostavan**	**Bardar**
Summary	Flagship premium brand	Romanian premium and mainstream wines	Value for money	Contemporary brandy brand
Marketing tagline	"Purcari, since 1827"	"14 days of extra sunshine	"Taste it. Love it."	"Grapes, Oak and Patience"
Target audience	35+ old, upper income	30+ old traditional middle income	30+ old idle income	30+ old traditional middle income
Brand Sales in 2019, %	42%	15%	28%	15%
Sales growth 2018-2019, %	33%	11%	4%	27%

(d) Recognized product quality by both, experts and consumers
The Group has received 15 medals at a number of top international competitions in 2015, 23 medals in 2016, 25 medals in 2017, 44 medals in 2018, 56 medals in 2019, while being the most awarded CEE winery at Decanter London in 2015-2019 with a total 52 medals. Chardonnay de Purcari awarded Platinum Medal and 97 points at Decanter World Wine Awards 2019.

The Group's products have also won the appreciation of consumers, with an average 4.0 score on Vivino, a wine rating mobile app based on over 36,000 individual scores. With the increasing role of millennial demographic in shaping consumption patterns, the role of applications such as Vivino should increase (not unlike services like Yelp or TripAdvisor have on the restaurants industry), hence the Group's close monitoring of similar technological innovations and focus on meeting the taste preferences of this demographic.

(e) Excellent asset base and sustainable cost advantage
In 2019, the Group acquired additional 263ha of vineyards. Thus, the total cultivated area increased by 23% to 1,392 hectares of vineyards. The majority of the vineyards are in their prime age, being planted during 2004-2005 and are situated in favorable micro-zones for winemaking, along the 45th parallel, same as the Bordeaux region. Production assets are based in a region with 5,000+ years of vine growing history, a developed wine culture and vibrant wine-related ecosystem, resulting in a well-developed economic cluster spanning the entire wine value chain: from grape growing, to oenological research, to bottle and label manufacturing etc.

(f) Strong marketing execution, tailored to new media and millennial consumers
The Group has been taking a rather differentiated approach to marketing, which is based on the following principles: 1. Focus on digital versus traditional media; 2. Focus on engaging, consumer-friendly content versus. traditional "selling" advertising; 3. Focus on creative, low-budget campaigns with built in viral effect versus big budget traditional communication.

(g) Proven ability to identify and execute accretive acquisitions
The Group was created via a number of acquisitions. In 2003, Group's founding shareholder acquired the assets forming the basis for the Bostavan winery and followed with the further acquisition of the Purcari assets (2003), Crama Ceptura (2003) and Bardar (2008). The typical recipe behind each of these acquisitions was based on (1) identifying underperforming or distressed assets, (2) acquiring them at attractive financial terms, (3) investing in rapid restructuring of operations ensuring a proper integration into the Group. Acquisitions made during 2004-2008 speak about the management's capacity to identify the right target, acquire and integrate it into the Group's structure and monetize synergies of operational and financial nature.

(h) Driven management team, combining youth and experience
The Group has a strong and experienced management team combining an extensive expertise in the wine market with an enthusiasm and clear determination to drive the business forward. Mr. Victor Bostan, the founder of the Group, has a university degree in Wine Technology and has grown through the ranks of the wine industry from entry level oenologist to general manager and owner. Most of the top management team have a cosmopolitan background, dual citizenship and speak at least three languages. The Group is proud of reliance predominantly on promotions from within, with key management personnel having been with the Group for a significant amount of time e.g. Chief Commercial Officer for over 11 years, CFO over 7 years, GM Production over 9 years, GM Romania over 14 years, Head Wine Maker for over 8 years etc. That being said, despite the significant experience, the Group management median age is still circa 40 years old, based on the top-10 managers.

Strategy

Group's strategy is centered around the following pillars:

(a) Focus on Romania as key domestic market to achieve undisputable leadership position
The Group is already the fastest growing and the most profitable among the major wine players on the Romanian market, according to the statutory accounts reported by the Ministry of Finance of Romania (not available for 2019 as of the date of this report). The Group has grown its revenue from sales of finished goods in Romania by a 26% in 2019. Nevertheless, the total Group's sales of finished goods in Romania, accounting for RON 50.4 million in 2017, RON 65.1 million in 2018, RON 81.9 million in 2019 remain a fraction of the fragmented Romanian market. With Group's market share in Romania currently at 9%, the room for expansion is still significant, as demonstrated by international examples: Teliani Valley 35% market share in Georgia, E&J Gallo 21% market share in the US, Concha Y Toro 18% market share in Chile.

The Group intends to continue growing fast in Romania by entering the price-segments it is missing by increasing retail penetration, extending geographically, boosting marketing investments for the Crama Ceptura brand and expanding to the sparkling segment.

(b) Build upon the Romanian success, to achieve market leading positions across CEE
The Group intends to build on the strong track record in Romania and export the successful model to other core markets, starting with Poland and subsequently the Czech Republic, Slovakia, and Ukraine. This implies the following actions:
- Building a local sales organization, including account managers and area sales managers;
- Strengthening the relationship with retail partners;
- Investing more actively in local marketing activities, including trade marketing (listing, promotions etc.).

(c) Continue shift to premium
The Group management believes a premiumization trend is underway in wine markets around the world, with consumers becoming increasingly more selective about the quality of wine they opt for. The Group has embraced this trend, putting an extra emphasis on the sale of premium wines, to cater to such shifting consumer preferences.

(d) Extend brand to adjacent categories
The Group has traditionally focused on the still wines segment. The Group's strategy is to leverage the strength of its brands to expand beyond still wines alone, with sparkling wines and divins (grape made, cognac style brandy) as the priority expansion areas.

The Group owns the Bardar asset since 2008, but Bardar's main focus was on sale of bulk, unbranded divines. In 2015, the Group adopted a shift in strategy with regard to Bardar, which was based on relaunching the Bardar brand as a sophisticated, high quality divin producer, focusing on the bottled, branded segment. Based on the results for 2019, the share of brandy sales of total Group's revenues from sales of finished goods accounted for 15%. Brandy segment is demonstrating strong dynamics, with 27% segment growth in 2019.

The Group's sparkling segment, launched in 2017, has proceeded with getting traction, doubling in value terms in 2019 vs 2017 and receiving unprecedented professional recognition, despite its very short history.

(e) Pursue accretive acquisitions, building on a strong M&A track record
Group management believes the inherent peculiarities of the wine industry – significant fragmentation, large quantity of hobbyist wine-entrepreneurs, small average scale of wine enterprises – lead to an overall lower industry-level of management sophistication compared to other, more mature and concentrated drinks industries, like beer or spirits. To that end, Group management believes it may take advantage of acquiring under-managed assets, which could be brought to the operational standards of the Group and benefit from Group's scale, so that such assets are more valuable as part of the Group than standalone.
Group's track record of acquiring and building out Purcari, Bostavan, Crama Ceptura and Bardar assets, may serve as an indication of Group's ability to successfully identify, execute and integrate such acquisitions. Group's primary focus will be on underperforming assets (including strong brands, vineyards, production and distribution platforms) in Romania, Poland and Moldova, but also other markets will be considered for potential accretive bolt-ons.

(f) Quality control and assurance
Each of the Group companies is certified to comply with the requirements of ISO 9001 (Quality Management) and/or ISO 22000 (Food Safety Management), and Crama Ceptura's facility is ISO 22000:2005 certified. International certification bodies perform regular surveillance audits confirming compliance of their management systems with the requirements of ISO 9001:2008 (Quality Management) and/or ISO 22000:2005 (Food Safety Management).

8. RISK EXPOSURES

In the absence of hedging arrangements in place, the Group is exposed to the risk of currency exchange fluctuations between multiple currencies

The results of the Group are subject to fluctuations in the foreign exchange rates of EUR and USD against the local currencies (especially RON and Moldovan Leu). Thus, the Group's operating subsidiaries in Romania and the Republic of Moldova generate revenue and record their financial results in RON and MDL, respectively, while the Group earns a significant share of revenues from EUR and USD linked contracts. The Group manages its currency exchange risk exposure in a limited manner and there is no hedging arrangement at Group level designed or implemented to this end. The Group may implement in the future a hedging policy, but there is no guarantee that the Group will be able to hedge all the currency risks, in particular over longer periods. Also, given that the Republic of Moldova is a restrictive market which does not effectively provide for sufficient liquidity and instruments to cover foreign exchange risk, the Group's efforts to cover for this risk are focused on the business in Romania, without, however, having proper cash pooling, treasury or similar arrangements in place. As a consequence, any unfavorable shift in exchange rates could have a material adverse effect on the Group's business, financial condition and the results of operations.

The Group may be unable to obtain additional financing or generate sufficient cash flow to make additional investments or fund potential acquisitions.
The Group may need to raise additional funds in the future in order to invest in or acquire businesses, brands or products. Additional financing may not be available on acceptable terms, or at all. If the Company raises additional funds by issuing equity securities, investors may experience further dilution of their ownership interest. If the Group raises additional funds by issuing debt securities or obtaining loans from third parties, the terms of those debt securities or financing arrangements may include covenants or other restrictions on the Group's business that could impair the Group's operational flexibility and would also require the Group to fund additional interest expense. If financing is not available in part or at all, or is not available on acceptable terms when required, the Group may be unable to successfully develop a further presence in the region, which could materially adversely affect the Group's business, the results of operations and financial condition.

The adverse weather patterns could have a material adverse effect on the Group's business

Grape yields and quality can be affected by certain adverse weather patterns including without limitation late frosts, lack of sunshine during the flowering period, lack of rain and hail storms. While the Group has been able to put in place measures to mitigate to a certain extent the risks pertaining to late frosts, there are difficulties in reducing the impact of the hail storms, due to their unpredictable nature. For instance, in 2015 Purcari Wineries lost a material part of its yield as a result of some significant hail storms. Although the Group uses mitigating factors such as acquiring grapes from third party producers and geographically spreading its vine area to cover against localised climatic impacts, the risk of future grape yields being affected by unfavourable (adverse) weather patterns cannot be eliminated. Should the quantity or quality of future yields be affected by these factors, the operations of the Group could be adversely impacted.

Increases in taxes, particularly increases to excise duty rates, could adversely affect demand for the Group's products

Wine and spirits are subject to excise duties and other taxes (including VAT) in most of the countries in which the Group operates. Governments in these countries may increase such taxes. Demand for the Group's products is generally sensitive to fluctuations in excise duties, since excise duties generally constitute an important component of the sales price of our products in some of our main markets. The duty and excise regimes applicable to the Group's operations could result (and have in the past resulted) in temporary increases or decreases in revenue that are responsive to the timing of any changes in excise duties.

Interest rate risk

The Group faces business risks stemming from central banks' monetary policy decisions. Any rise in interest rates could have material adverse effects on the Group**.** In recent years, central banks around the world have engaged in an unprecedented set of monetary policy measures generally referred to as quantitative easing. Such measures generally consist of central bank purchases of government and other securities held by commercial banks and other private sector entities to stimulate the economy by increasing the amount of liquidity available to banks for onward lending to businesses. By engaging in quantitative easing and pegging interest rates at historically low levels, central banks have created an environment that has benefited companies in a variety of ways, for example by making it easier and cheaper to raise new financing and to refinance its existing liabilities. However, some central banks have already reversed course and begun to gradually tighten monetary policy and others are expected to follow. Any such action is likely to eventually raise interest rates to levels that are more in line with historical averages. When rate increase occurs, the Group's business is likely to be affected in a number of ways. The cost at which the Group is able to raise new financing and refinance its existing liabilities will increase. Moreover, because of the dampening effect that a tighter monetary policy typically has on the general economy, private households on average are likely to have less disposable income, which may impact the sales of the Group. Therefore, if central banks begin to tighten monetary policy, the Group's could be materially adversely affected.

COVID-19 outbreak

See analysis under "Subsequent events" section.

9. INTERNAL CONTROL

The Group established an internal control system, which includes activities focused on preventing and detecting of inefficiencies and other irregularities, evaluation of conformity with internal procedures, evaluation of the accuracy of tasks, presentation of objective information and recommendation to the Company's management. Purcari's internal control system helps the Company to improve operating efficiency, as well as adhere to the values and principles of the Group.

10. OTHER INFORMATION

Environmental and social responsibility
The Group operates in an industry that is subject to a number of regulations that affect its day-to-day operations. The regulations applicable to the Group relate to, amongst other, product safety, labor and employment, health, safety and environment protection laws and others with respect to the production facilities.
Environmental compliance and authorizations: The Group adopted a group-wide Environment, Health and Safety Policy and implemented an Environmental and Social (E&S) Management System (ESMS), integrating environment, occupational health and safety management procedures into the Group's management system in November 2010. The ESMS structure and the Procedure on Environmental Protection and Occupational Health and Safety were developed and duly approved by the Group's management. The E&S reporting function is assigned to the Quality managers who are also responsible for the ISO implementation.
As for the agriculture quality controls, the Group has implemented Pesticides Management Procedures for Vinaria Purcari, Vinaria Bostavan and Crama Ceptura, describing the procedure used for the transportation, storage, application and removal of pesticides. These procedures include also the responsibilities of pesticide suppliers and any other third parties involved in the utilization of pesticides by the Group and are developed on an annual basis.
Environment and waste utilization: The Group has defined energy efficiency & saving as its primary environmental goals during 2014-2019. During that period, the Group has replaced ordinary lamps with energy efficient ones at all premises. In addition, outdoor/street lighting sensors were installed where it was deemed necessary. Modernized the entire electricity system at one of the premises. In terms of new equipment purchases, the Group prioritized those suppliers offering energy efficient solutions. In terms of waste utilization, there is a group-wide policy to collect and sort broken glass, paper and cardboard waste and other non-food waste into separate bins placed at the Group's premises. Subsequently, the Group companies sell such a sorted waste to relevant processing facilities (for example, broken glass is delivered to the glass factory nearby and the paper and cardboard waste is delivered to the cardboard factory nearby for processing etc.). The Group modernized the sewage processing facility at one of the premises, acquired Mythos vinificators which lowers CO2 footprint as it reuses it during fermentation.
Social initiatives: In January 2015, the Group launched its Community Development Policy, which defines the strategic approach, management system and budgets for the Group's contribution to the local communities. In 2019, the Group expanded its support to local communities and participated in a number of charity, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charity, social and cultural initiatives, including the following:

(a) CCF/HHC Moldova (a team of people working to give every child the opportunity to grow up in a loving family).
(b) Hospice Angelus: Medical-social Philanthropical Foundation "Angelus Moldova" is a nongovernmental, apolitical and non-profit organization which was founded and legally registered at the Ministry of Justice in 2000, with the purpose of creating a new system of medical and social assistance to incurable patients with cancer in advanced and terminal stages, as well as to their relatives. In 2001, "Angelus Moldova" established HOSPICE "Angelus Moldova" as inalienable part of the Foundation. HOSPICE „Angelus Moldova" is a home palliative care service.
(c) Purcari Wine Run 2019: Purcari Wine Run is a unique trail race in Moldova, which passes through the vineyards of Chateau Purcari. The competition was held on August 24, 2019 and gathered both amateur and professional sportsmen for a race of 10 km. The Group plans to continue organizing a similar event each year.

In addition, the Group is the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010. The USM-Bostavan teams were Gold awarded at the volleyball championship of the Republic of Moldova in 2019 and Bronze at Balkan championship in Turkey.

In 2020, following the outbreak of COVID-19 pandemic the Company decided to contribute MDL 1,000,000 (RON 250,000), supplemented by an extra MDL 1,000,000 (RON 250,000) donated personally by the Group founder, Mr. Victor Bostan, totaling MDL 2,000,000 (RON 500,000), towards a fund dedicated to combating COVID-19 in Moldova and Romania.

11. NON-FINANCIAL STATEMENT

The Company is committed to high environmental, social and employee standards, respect for human rights, and steadfastly opposes corruption and bribery. The Company will publish a separate Non-Financial Statement for 2019 by June 30th, 2020 in accordance with the relevant provisions of Directive 2013/34/EU as amended by Directive 2014/95/EU as transposed in the Cyprus Companies law, Cap. 113.

12. COMMITMENTS AND CONTINGENCIES

The Group has no capital commitments for purchase of property, plant and equipment and intangible assets as at 31 December 2019.

13. SUBSEQUENT EVENTS

On 11 March 2020 the World Health Organization declared the Coronavirus outbreak a pandemic, and both the Romanian and Moldovan governments declared a state of emergency, which is in force at the time of issue of these consolidated financial statements. Responding to the serious threat COVID – 19 presents to public health and its potential, serious disruption to economic activity, the Romanian and Moldovan government authorities have adopted strict measures to contain the pandemic, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments. In particular, airlines suspended international transport of people to and from certain countries particularly affected by the COVID-19 outbreaks (currently Spain and Italy), schools, universities, restaurants, cinemas, theaters and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Many businesses in Romania and Moldova have instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in countries where the Group is operating, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors of Romania and Moldova, but also in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

The Group revenues are likely to be adversely affected by the outbreak of COVID19. We cannot estimate the magnitude of this impact at the moment. The Group expects a significant drop in HoReCa sales (HoReCa channel accounts for <15% of Group's sales) as result of the shutdown. The Duty Free channel (accounting for circa 3% of sales) is expected to be significantly affected too. The Group estimates a lesser impact in the remaining off trade segments, yet the ultimate performance will depend on the duration of the lockdowns across the Group's markets as well as broader macroeconomic factors, including consumer sentiment and currency fluctuations. Group's sales, on an aggregate level in 1Q2020 have still demonstrated year on year growth, yet we cannot estimate with reliable accuracy the impact on our revenues in the subsequent quarters.

Based on the best publicly available information at the date these financial statements were authorized for issue, the Company management considered a number of severe but plausible scenarios with respect to the potential development of the pandemic and its potential impact on the entity as well as the economic environment in which the entity operates, including the measures already taken by the Romanian and Moldovan governments and governments in other countries where the entity's major business partners and customers are located.

As at 31 December 2019, the Company's net current assets amounted to RON 47 million (net current assets adjusted with long-term inventories amounted to RON 97 million) and the available unused lines of credit amounted to over RON 16 million. The Company's capital expenditure within the following 12 months have been reduced with approximately RON 5 million (from RON 22 million to RON 17 million) and relate to unavoidable replacements of manufacturing equipment or finalization of production premises which are in the final stage of construction. Also, the Company decided not to pay dividends from the profit of year 2019, retaining the option to revert to this topic upon more clarity is obtained on the evolution of COVID-19. The stress-tests run by the Group, assuming various degrees of operational headwinds, used revenue drop scenarios vs. 2019 of -6% to -17%. Under all these scenarios, the Group maintained a comfortable cash-flow position and an EBITDA and Net Income Margin ranging from 25-28% and 15-18%, respectively, assuming the effects of the preliminary cost-saving program put in place are enacted in full.

The Company Management considered the following operating risks that may adversely affect the Company as a result of COVID–19:

- Unavailability of staff for extended period of time;
- Interruptions in transportation of goods that would disrupt distribution and supply chain;
- Prolonged recession in the Romanian and Moldovan economies that would significantly reduce the purchasing power of consumers resulting in a reduction of Group's total sales;
- Potential delays in collection from customers, that would increase the average account receivables turnover from 100 days to 150 days.

In order to mitigate the risks resulting from the potential adverse scenarios, the Company Management began implementing a number of measures, which notably include:

- implementation of work from home program on a rotational basis for a significant group of administrative employees as well as employees in sales and procurement departments;
- employees in production department have been trained to adhere to very strict precautionary standards including social distancing;
- arrangements with alternative transportation companies to ensure uninterrupted distribution and supply chain;
- adjustment to the scale of the Company's operations to respond to the possible decrease in demand for the premium products offered by the entity;
- negotiations with banks to ensure continuous financing.

On the basis of the above, the Board of Directors of the Group and of the Company arrived to the view that the Group and the Company will have sufficient resources to continue operating as going concern for a period of at least 12 months from the reporting date of this Annual Report. The Board of Directors concluded that materialization, in 2020, of the range of potential outcomes considered does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue operating as a going concern.

14. DIVIDENDS

Due to risks and uncertainties of Covid-19 impact over the Company liquidity, the Board of Directors will recommend no distribution of dividends out of the profit of the year 2019.

15. SHARE CAPITAL

The Company has an authorised and issued share capital of 200,000 EUR, which consists of 20,000,000 ordinary shares with the nominal value of 0.01 EUR each. Each ordinary share gives one voting right.

On 15 February 2018 the Company's issued shares were admitted for trading on the Bucharest Stock Exchange, under the ticker symbol WINE.
The ISIN number of the shares is CY0107600716.

16. RELATED PARTIES TRANSACTIONS

Disclosed in Note 30 to the financial statements.

17. EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are described in Note 33 to the financial statements.

18. INDEPENDENT AUDITORS

The Board of Directors will make a recommendation to the forthcoming Annual General Meeting of the shareholders of the Company in relation to the appointment of independent auditors for the financial year 2020. Further, a resolution giving authority to the Board of Directors to fix the independent auditors' remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Pecatis

Inter Jura Cy (Services) Limited
Secretary

3 April 2020

ANNEX 1

Statement on Corporate governance pursuant to Section 151 of the Cyprus Companies Law, Cap.113 regarding the contents of the Annual Financial Report (the "Companies Law")

The Company, pursuant to the relevant provisions of Section 151 of the Cyprus Companies Law, Cap. 113 regarding the contents of the Annual Financial Report, provides this Statement, addressing in turn the matters that should be included in this Statement, according to the specific provisions of Section 151 that are cited below.

1 Paragraph 2a(i) of Section 151 of the Companies Law

A reference to the corporate governance code to which the Company is subject to, also indicating where the relevant texts are publicly available

The Company's shares are listed on the Bucharest Stock Exchange ('BVB') since the 15th of February 2018. The Company is subject to and applies the BVB Corporate Governance Code (the 'BVB Code'). The BVB Code can be found at the website of the BVB under the *Regulations* section: http://www.bvb.ro/Regulations/LegalFramework/BvbRegulations

2 Paragraph 2a(ii) of Section 151 of the Companies Law

Where a company, in accordance with its national law or of the law of the member state that relates to the corporate governance code to which the company is subject to or it has voluntarily decided to apply, departs from a corporate governance code referred to above, it states the parts of the corporate governance code it departs from and the reasons for doing so.

The Company, since the listing of its titles on the BVB on 15 February 2018 has adopted the BVB Corporate Governance Code with the provisions of which it fully complies except in relation to provisions A.8, A.11, B6, B8, C1, D.1.1 and D.6 where partial compliance is noted, for the reasons detailed in the following section of this Statement and in the annexed document **State of Compliance with the BVB Code**.

3 Paragraph 2a(iii) of Section 151 of the Companies Law

Where a company has decided not to apply any of the corporate governance provisions stated above it explains the reasons for doing so.

The Company decided to partially comply with the A.11 provision of the BVB Code regarding the nomination committee. Provision A.11 states that companies listed in the BVB category that the Company is listed (International shares category), should set up a nomination committee comprising of non-executives, which will lead the process for Board appointments and make recommendations to the Board. According to A.11, the majority of the members of the nomination committee should be independent.
The Company has formed a Nominations, Remuneration and Governance Committee comprising of four persons: Two out of four members of the Committee are independent and non-executive, one out of four is non-independent and non-executive and one is non-independent and executive. Consequently, but for the inclusion in the Committee of the executive director Mr. Victor Bostan, the Company would have been in full compliance with the above provision. The Board has decided to include Mr. Victor Bostan in this committee, taking into consideration his excellent knowledge of the Company's needs, in depth knowledge and experience in the field of operations of the Company and valuable insights. The Board is of the view that the good corporate governance sought by the application of the BVB Corporate Governance Code is achieved by having the majority of committee members being non-executive, and high standard terms of reference being applied to the work of the committee.

4 Paragraph 2a(iv) of Section 151 of the Companies Law

Description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.

The Company is a Cypriot registered legal entity, and the Home Member State of the Company is the Republic of Cyprus. In relation to its financial reporting process, the Company applies the relevant provisions of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended of the Republic of Cyprus (the 'Transparency Law'), and the of the Cyprus Companies Law, Cap. 113. The Transparency Law prescribes the publication of the Annual Financial Report and of the Half-Yearly Financial Report. Issuers whose titles are admitted to trading on a regulated market, such as the Company, are obliged to prepare and disclose such information in accordance with the provisions and the time schedules stipulated in Part II of the Transparency Law. Moreover, and as stipulated in Part II of the Law, the financial reports of the Company and of the Group are prepared on the basis of the applicable International Accounting Standards, as well as the provisions of the Companies Law, Cap. 113 in order to provide a true and fair picture of the financial affairs of the Company and the Group, respectively. Further, the Company prepares and publishes quarterly financial reports and preliminary results for the year, also applying the relevant International Accounting Standards.

The Company Secretary and the professional advisers of the Company assist the Board of Directors towards ensuring the lawful drafting, preparation, compilation and publication of the required periodic information.

The Compliance Officers of the Company in relation to the obligations of the Transparency Law ensure the timely publication of the necessary periodic information, and that this information includes the information required by the Transparency Law. This information is disclosed in accordance with the manner and time schedules set out in the Transparency Law and the relevant Transparency Directives. The Company also retains legal professionals based in Bucharest, Romania, advising it on the disclosure and transparency obligations emanating from the listing of the Company titles on the Bucharest Stock Exchange.

<u>Audit Committee</u>
In addition to the above, and in line with the relevant provisions of the Cypriot Auditors Act of 2017 and of the BVB Corporate Governance Code which stipulate that listed companies should have an Audit Committee for the purposes of, between others, the monitoring of the financial reporting process, and the statutory audit of the annual consolidated financial statements, the Board of Directors has created an Audit Committee comprising of three non-executive directors, two of which are independent, and the Chairperson is a non-executive, independent director. Further details are provided below under the heading of "**The composition and operation of the administrative, management and supervisory bodies of the issuer and their committees**".

5 Paragraph 2a(v) of Section 151 of the Companies Law

Where the total or a part of the securities of the company are admitted to trading in an organized market, the company publishes detailed information as to the following:

(aa) The major direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

See above paragraphs in the Management (Directors) Report under "Shareholders and Issued Capital".

(bb) The holders of any securities with special control rights and a description of those rights.

The Company has no holders of any securities with special control rights.

(cc) Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities·

There are no restrictions on voting rights.

(dd) The rules governing the appointment and replacement of board members and the amendment of the articles of association

Prior to the listing of the Company's titles, the Company was managed by professional directors. According to Regulation 111 of the Articles of Association of the Company (the 'Articles'), the Board of Directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director. Regulation 84 of the Articles states that, unless otherwise required by law, the minimum number of the directors of the Company shall be five, the majority of whom shall be non-executive and out of which at least 2 shall be independent. Therefore, the Company took the relevant steps so as to comply from the listing date of 15 February 2018 with Regulation 84 of the Articles as well as with the relevant provisions of the BVB Code. Hence, the professional directors of the Company resigned and were replaced by five new Board Members. The majority of the current five Board members (three out of five) are non-executive directors and two out of five Board members are independent, non-executive directors. According to Regulation 111, the non-executive directors appointed pursuant to Regulation 111 of the Articles shall hold office until the next following Annual General Meeting, and at the AGM, their positions will be vacated. The AGM, in accordance with Regulation 110 of the Articles may appoint, with the sanction of an ordinary resolution any person to the office of director to fill the vacancy or as an additional director.

Pursuant to Regulation 108 of the Articles of the Company, a person can be appointed (or re-appointed) as a director at a general meeting of the Company where:

(a) That individual is recommended by the board of directors or by a committee duly authorized by the board for the purpose; or
(b) No less than seven nor more than 42 days before the date appointed for the AGM, shareholder(s) representing shares which in aggregate constitute or represent at least 5% of the total number of votes of the share capital of the Company provide a notice to the Company of the shareholder(s) intention to propose an individual for appointment (or re-appointment).

Pursuant to Regulation 109 of the Articles of Association, not less than 3 nor more than 21 days before the AGM, notice shall be given to all shareholders entitled to receive notice of every person who is recommended by the board of directors or the committee and of every person in respect of whom notice has been duly given to the Company of the intention to be proposed.

Pursuant to Regulation 110 of the Articles of Association the General Meeting may, with the sanction an ordinary resolution (a) subject to section 177(1) of the Company Law, Cap. 113, appoint any person to the office of director either to fill a vacancy or as an additional director and (b) subject to sections 136 and 178 of the Company Law, Cap. 113 remove any director from office.

The AGM of the shareholders of the Company that took place on the 14th of June 2018 re-appointed the non-executive directors Mrs. Monica Cadogan, Mr. Neil McGregor and Mr. Vasile Tofan to the Board of Directors of the Company for the financial year 2018. The Board of Directors of the Company, in order to preserve the continuance of the governance of the Company in 2019, and acting pursuant to the powers conferred to it by Regulation 111 of the Articles of Association of the Company, decided by an announced board decision of 10 December 2018, to re-appoint the abovementioned non-executive directors from the 1st of January 2019 until the next AGM. At the following AGM that took place on 25 April 2019, the above non-executive directors were re-appointed. Commencing from the AGM to take place in 2020, the Rotation system of non-executive Directors will commence (see below).

Rotation of non-executive Directors

Pursuant to Regulation 106 of the Articles of the Company, at each AGM, one-third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third), shall retire by rotation, provided that the directors to retire by rotation shall be those who have been longest in office. As between individuals who were appointed as directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Executive directors are not subject to retirement by rotation. The three non-executive directors of the Company (Mrs. Monica Cadogan, Mr. Neil McGregor and Mr. Vasile Tofan) were appointed on the same day, and they decided among themselves/by lot, that the non-executive director to retire at the next AGM will be Mr. Vasile Tofan.

Mr. Vasile Tofan is willing to continue to act as a non-executive Director of the Company, and the Board of Directors has decided to recommend to the shareholders at the next AGM, the reappointment of Mr. Vasile Tofan as a non-executive Director.

6 Paragraph 2a(vi) of Section 151 of the Companies Law

The composition and operation of the administrative, management and supervisory bodies of the issuer and their committees.

6.1 The Board of Directors

The Composition of the Board in 2019

1. Mr. Vasile Tofan, non-independent, non-executive, director, Chairperson of the Board, member of the Nominations, Remuneration and Corporate Governance Committee and member of the Audit Committee.
2. Mrs. Monica Cadogan, independent, non-executive director, Chairperson of the Audit Committee, and member of the Nominations, Remuneration and Corporate Governance Committee.
3. Mr. Neil McGregor, independent, non-executive director, Chairperson of the Nominations, Remuneration and Corporate Governance Committee, and member of the Audit Committee.
4. Mr. Victor Bostan, non-independent, executive director, member of Nominations, Remuneration and Corporate Governance Committee. He also serves as the Company CEO.
5. Mr. Victor Arapan, non-independent, executive director (from 25.4.2019). He also serves as the Company Chief Financial Officer.

Detailed information on the above directors can be found in the Section 4 of Management Report on Corporate Governance.

Competences and operation of the Board
The powers and duties of the Directors are stated in Regulations 91 – 96 of the Articles of Association of the Company and the rules in relation to the proceedings of Directors are stated in Regulations 113 – 120 of the Articles of Association.

According to Regulations 91 – 96, the Board is vested with the broadest powers to perform all acts necessary or useful for accomplishing the Company's purposes. All powers not expressly reserved by the Cyprus Companies Law Cap. 113 and by the Articles of Association of the Company to a general meeting of shareholders, may be exercised by the Directors. Further, according to Regulation 117 of the Articles of Association, the Directors may delegate any of their powers to committees and any committee. Pursuant to this provision, the Board of Directors has set up the Audit Committee and the Nomination, Remuneration and Corporate Governance Committee, which will be addressed herein below.
The Board provides effective support for and control and oversight of the activities of the executive management of the Company.

Conflicts of Interest
The rules governing the handling of conflict of interests are set out in Regulations 95 - 96 of the Articles of Association of the Company.

Internal Regulation, the functioning and evaluation of the Board of Directors

In line with the BVB Corporate Governance Code, the Board has also adopted an Internal Regulation, supplementing and expanding upon the relevant legal and regulatory provisions and the Company’s bylaws. The Internal Regulation includes terms of reference/responsibilities for Board and key management functions of the Company, applying the relevant principles of the BVB Corporate Governance Code.

The Internal Regulation addresses in detail, between others, the Composition and Operation of the board, and the Board Committees. According to the Internal Regulation, board meetings are called by the Chairman or by any Director through the Company’s secretary, and are presided by the Chairman. The Chairman also sets the agenda for the meetings. Any director wishing to discuss an item that has not been included on the agenda at any Board meeting shall inform the Chairman prior to the meeting. Further, the Board should hold at least 1 meeting per quarter and as often as required in the interest of the Company.

A Director’s Charter has also been prepared as an attachment to the Internal Regulations. The Charter contains guidelines on areas such as Independence and conflicts of interest, good faith, professionalism, commitment, and efficiency. Towards the better corporate governance and administration of the Company, and in line with the relevant provisions of the Corporate Governance Code of the Bucharest Stock Exchange where the Company titles are listed, the Board also adopted an Evaluation Policy. The Internal Regulation and other polices can be found on the Company website under Investor Relations/Corporate Governance: http://corporate.purcari.wine/en/page/corporate-governance

Delegation of Director's powers to committees

As stated above, the Directors have the power to delegate any of their powers to committees consisting of such directors or other persons as they think fit.

In order to carry out its work more effectively, and in line with the relevant provisions of the BVB Corporate Governance Code, the Board has created an Audit Committee and a Nominations, Remuneration and Corporate Governance Committee.

These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. All members of the Board have the same responsibility for all decisions taken irrespective of whether the issue in question has been reviewed by such a committee or not.

The composition and operation of the two committees of the Board of Directors is analysed below.

6.2 The Audit Committee

Composition of the Audit Committee in 2019
Chairperson: Mrs. Monica Cadogan (independent, non-executive director)
Members:

- Mr. Neil McGregor (independent, non-executive director)
- Mr. Vasile Tofan (non-independent, non-executive director)

Competences and operation of the Audit Committee
The Audit Committee has a monitoring and advisory role and its mission consists in monitoring the financial reporting process and assisting the Board in carrying out its tasks related to financial reporting, internal control and risk management.

In the exercise of its duties and responsibilities, the Audit Committee will pay due regard to the relevant provisions included in the Code on Corporate Governance of the Bucharest Stock Exchange, and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents and the internal regulation of the Audit Committee. The Audit Committee will also operate in line with and apply section 78 of the Cyprus Auditors Act, 2017 of the Republic of Cyprus.

Towards the exercise of its duties and responsibilities, the Audit Committee, between others, is briefed by the external auditors of the Company in relation to the audit program, monitors the audit process, and in special meetings prior to the presentation of the annual accounts of the Group and the Company to the full Board of Directors, considers the content of the drafts, taking into account the views of the external auditors in relation to the annual audited accounts. The Audit Committee informs the Board accordingly on the results of the statutory audit. The chairman of the Audit Committee ensures that minutes of meetings are prepared.

6.3 The Nominations, Remuneration and Corporate Governance Committee

Composition of the Committee in 2019

Chairperson: Mr. Neil McGregor (independent, non-executive director)
Members:

- Mrs. Monica Cadogan (independent, non-executive director)
- Mr. Vasile Tofan (non-independent, non-executive director)
- Mr. Victor Bostan (non-independent, executive director)

Competences and operation of the Committee

The Committee has an advisory role and its mission is to assist the Board in performing its powers related to nomination, remuneration and corporate governance matters. It was decided to expand the scope of activities of the Nominations and Remuneration Committee stated in the Prospectus, to include Corporate Governance.

In the exercise of its duties and responsibilities, the Nominations, Remuneration and Corporate Governance Committee of the Company pays due regard to the relevant provisions included in the Code on Corporate Governance of the Bucharest Stock Exchange, and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents of the Company and the internal regulation of the Committee.

7 Paragraph 2a(vii) of Section 151 of the Companies Law

A description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.

If no such policy is applied, the statement shall contain an explanation as to why this is the case.

The Company does not have in place a special policy in relation to diversity of the Board of Directors. The Company considers that the current composition of the Board of Directors includes diversity in relation to age, gender, educational and professional background of its members.

ANNEX 2

Table regarding the status of compliance with the provisions of the Bucharest Stock Exchange (BVB) Corporate Governance Code

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
Section A – Responsibilities			
A.1.	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	**Yes**	The Board has adopted an internal regulation in this respect on the meeting which took place on the 21st of May 2018.
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	**Yes**	The internal regulation of the Board contains provisions for the management of conflict of interest which ensure compliance with this provision.
A.3.	The Board of Directors or the Supervisory Board should have at least five members.	**Yes**	The current Board of Directors of the Company comprises five members.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.	**Yes**	Three out of five Board members are non-executive and two out of five Board members are independent. The independent Board members have submitted along with their letter of acceptance a declaration of independence in accordance with the criteria included in the BVB Corporate Governance Code.
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders	**Yes**	Both past and ongoing relatively permanent professional commitments and engagements of the Board members were disclosed to the potential investors in the Company's IPO Prospectus and

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	and to potential investors before appointment and during his/her mandate.		no other such commitments or engagements have been undertaken by the Board members as of the date of the Prospectus.
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	**Yes**	The internal regulation of the Board contains provisions which regulate such obligation of the Board members and the procedure according to which the information shall be submitted to the Board by its members.
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	**Yes**	The Company has appointed a Board Secretary who supports the Board's activities.
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	**Partially complies**	The Company has approved the policy for the Board evaluation during the Board Meeting on December 14th, 2018. The evaluation of the Board activity for 2019 fiscal year will be performed in first half of 2020.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	**Yes**	The Board meets whenever is necessary and at least every three months. In 2019 there were eleven Board meetings. The Corporate Governance statement contains information in this respect (Chapter 4 of the Management Report).
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	**Yes**	Two out of five members of the Board are independent. This is presented in Chapter 4 of the Management Report.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	**Partially complies**	Two out of four members of the Nominations, Remuneration and Corporate Governance Committee are independent and non-executive, one out of four is non-independent and non-executive and one is non-independent and executive. Consequently, but for the inclusion in the Committee of the executive director Mr. Victor Bostan, the Company would have been in full compliance with provision A.11. The Board decided to include Mr. Victor Bostan, Company's CEO, an executive director in this committee, taking into consideration its excellent knowledge of the Company's needs, in depth knowledge and experience in the field of operations of the Company and valuable insights. The Board is of the view that the good corporate governance sought by the BVB Corporate Governance Code is achieved by having the majority of committee members being non-executive and high standard terms of reference being applied to the work of the committee.
Section B – Risk management and internal control system			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	**Yes**	The chairperson of the Audit Committee is an independent non-executive director. Two out of three members are independent. The majority of members, including the chairman have an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee has adequate auditing or accounting experience.
B.2.	The audit committee should be chaired by an independent non-executive member.	**Yes**	The Audit Committee is chaired by Ms. Monica Cadogan, an independent non-executive director.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	**Yes**	The internal regulation of the Audit Committee includes responsibilities regarding internal control matters, such as regularly reviewing the adequacy and implementation of key internal control policies, including policies for detecting fraud and the prevention of bribery and assessing the management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses.
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	**Yes**	The internal regulation of the Audit Committee includes these considerations.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	**Yes**	The audit committee reviews the transactions of the Group with related parties.
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	**Partially complies**	Assessing the adequacy and efficiency of the risk management system is the responsibility of the Audit Committee.
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	**Yes**	A Group internal auditor has been appointed as of May 1st 2019. He reports directly to the audit committee and Board of Directors.
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	**Partially complies**	The Audit Committee presented to the Board reports on the issues it has reviewed.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	**Yes**	The Board of Directors approved on 14 December 2018 a policy regarding related parties' transactions. The related parties transactions incurred in 2019 followed the provisions of the BVB Corporate Governance Code.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	**Yes**	The policy regarding related parties' transactions was approved at the Board Meeting on December 14th, 2018 and implemented by the Company, and includes these provisions of the Code.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	**Yes**	Starting from May 1st, 2019, the Group has an independent internal auditor reporting directly to audit committee and Board of Directors.
B.12.	To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	**Yes**	The Internal audit function commenced duties on May 1st, 2019. The Internal Auditor reports functionally to the Board via the audit committee. Solely for administrative purposes he reports directly to the CEO.
	Section C – Fair rewards and motivation		
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form	**Partially complies**	The Board has approved the remuneration policy at the Board Meeting on 14 December 2018. The implementation of the remuneration policy is currently in progress. The Board undertakes to ensure the publication of any essential changes of the remuneration policy on the Company's website in a timely fashion.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		
Section D – Building value through investors' relation			
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	**Yes**	The Company has both an Investor Relations function and a dedicated Investor Relation section on its website, available both in Romanian and English, where all relevant information for investors can be found.
D.1.1.	Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	**Partially complies**	The articles of association are available on the Company's website, in English, Greek and Romanian versions. The Company has not yet adopted a GMS procedure, but undertakes to publish such procedure on its website as soon as it will be in place.
D.1.2.	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	**Yes**	Both the CVs and information regarding the professional commitments of the Board members are available in the *Investor Relation* section of the Company's website.
D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	**Yes**	A distinct section for reports and presentations was created on the Company's website and all the relevant documents are posted under such section (link).

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.1.4.	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	**Yes**	A distinct section for the GMS was created on the Company's website and investors are able to find under this section all relevant information related to general meetings of shareholders.
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	**Yes**	Relevant information regarding corporate events are posted on the Company's website timely.
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	**Yes**	The Company has an Investor Relation function and contact information in this respect can be found on the *Investor Contact* section on its website (link).
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	**Yes**	A distinct section for reports and presentations was created on the Company's website, where all the relevant documents are posted (link).
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	**Yes**	The Company approved the Dividend Policy at the Board Meeting held on December 14th, 2018.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	**Yes**	The Company approved the Forecast Policy at the Board Meeting held on December 14th, 2018.
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	**Yes**	The rules regarding the general meetings of the shareholders of the Company are designed to uphold and safeguard the rights of the shareholders to participate in general meetings and exercise their rights. They are included in the Company's Articles of Association and are aligned with the relevant provisions and principles of the Cyprus company laws, the legislation pursuant to which the Company was registered. Any amendment to the Articles of Association of a Cypriot company may only be effected by a special resolution approved at a general meeting of the shareholders. As such, no amendment could take effect earlier than as of the next general meeting of the shareholders.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	**Yes**	The external auditors attend the shareholders' meetings at which their reports are presented.
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	**Partially complies**	The Board's comments on the internal controls and significant risk management system are included in the management report, which is presented to the annual GMS. The documents submitted to the GMS for approval are endorsed by the Board.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	**Yes**	The Company is open towards the idea of the participation of different professionals and consultants in the shareholders' meeting. The consent of the shareholders shall be requested in this respect at the beginning of each general meeting at which such participation is envisaged.
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	**Yes**	The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators.
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.	**Yes**	The Company holds quarterly conference calls with analysts and investors to present the financial elements relevant for the investment decisions and publishes the relevant information on the website.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	**Yes**	In 2019, the Group expanded its support to local communities and participated in a number of charity, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charity, social and cultural initiatives, including the following: (a) CCF/HHC Moldova (a team of people working to give every child the opportunity to grow up in a loving family). (b) Hospice Angelus – a Medical-social Philanthropical Foundation "Angelus Moldova" is a home palliative care service. (c) Purcari Wine Run 2019: Purcari Wine Run is a unique trail race in Moldova, which passes through the vineyards of Chateau Purcari. The competition was held on August 24, 2019 and gathered both amateur and professional sportsmen for a race of 10 km. The Group plans to continue organizing a similar event each year. In addition, the Group is the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010. The USM-Bostavan teams were Gold awarded at the volleyball championship of the Republic of Moldova in 2019 and Bronze at Balkan championship in Turkey. In 2020, following the outbreak of COVID-19 pandemic the Company decided to contribute MDL 1,000,000 (RON 250,000), supplemented by an extra MDL 1,000,000 (RON 250,000) donated personally by the Group founder, Mr. Victor Bostan, totaling MDL 2,000,000 (RON 500,000), towards a fund dedicated to combating COVID-19 in Moldova and Romania.

KPMG Limited
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PURCARI WINERIES PUBLIC COMPANY LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Purcari Wineries Public Company Limited (the "Company") and its subsidiaries (the "Group"), which are presented on pages 46 to 97 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the consolidated financial statements"'* section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Valuation of inventories</th></tr>
<tr><td colspan="2">Refer to Notes 6(g) (accounting policy) and 12 (inventories) to the consolidated financial statements.</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Groups' inventories include raw materials, work in progress, finished goods and other materials. As at 31 December 2019 the total inventories amounted to RON 124,928,680.
The valuation of inventories includes a degree of judgment by the management regarding the recognition of slow-moving inventories, the fair value less costs to sell of harvested grapes transferred to work in progress and the net realizable values with reference to subsequent sales.
Due to the size of the inventory and management judgment involved in its valuation (specifically of semi-finished and finished goods), we consider this to be a key audit matter.</td><td>Our audit procedures in this area included, among others:
• assessing the write-downs of inventories by comparing them with slow moving items identified by us based on the ageing of their movement;
• evaluating whether finished goods were stated at the lower of cost and net realizable value at the reporting period by comparing the sales prices subsequent to the reporting period with the carrying values of finished goods as at 31 December 2019;
• evaluating the fair value less costs to sell of harvested grapes at the point of harvest, which were subsequently transferred to work in progress, by recalculating it using published market prices.</td></tr>
</table>

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Corporate Governance Statement, and the Corporate Social Responsibility statement, which are included as separate sections in the Management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement we have nothings to report.

With regards to the Management report, our report in this regard is presented in the *"Report on other legal and regulatory requirements"* section.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of European Union (EU) Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of appointment and period of engagement
We were appointed auditors on 2 May 2018 by the General Meeting of the Company's members to audit the consolidated financial statements of the Group for the year ended 31 December 2017. Our total uninterrupted period of engagement, having been renewed annually by shareholders' resolution, is 2 years covering the periods ending 31 December 2017 to 31 December 2019.

Consistency of auditors' report to the additional report to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report presented to the Audit Committee of the Company, which is dated 31 March 2020.

Provision of Non-audit Services ('NAS')

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of the subparagraph 2(a) of Article 151 of the Companies Law, Cap. 113. We have not identified material misstatements in the management report.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap.113.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Maria A. Papacosta.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered
Auditor for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia Cyprus

3 April 2020

Purcari Wineries Public Company Limited
Consolidated Statement of Financial Position as at 31 December 2019
all amounts are in RON, unless stated otherwise

	Note	31 December 2019	31 December 2018
Assets			
Property, plant and equipment	7	141,488,777	98,259,527
Intangible assets	10	1,186,568	1,073,576
Equity-accounted investees	8	1,298,680	298,959
Equity instruments at fair value through profit or loss	9	12,766,688	12,484,972
Inventories	12	49,663,983	34,878,531
Other non-current assets		50,933	48,014
Non-current assets		**206,455,629**	**147,043,579**
Inventories	12	75,264,697	78,267,427
Trade and other receivables	11	53,887,343	58,936,752
Cash and cash equivalents	13	12,573,775	21,803,241
Income tax assets		236,000	660,552
Prepayments		5,652,967	3,628,145
Other current assets		108,691	94,201
Current assets		**147,723,473**	**163,390,318**
Total assets		**354,179,102**	**310,433,897**
Equity			
Share capital	14	728,279	728,279
Share premium	14	82,533,921	82,533,921
Treasury shares reserve	14	(4,573,126)	-
Other reserves	14	1,946,882	-
Translation reserve	14	15,160,426	9,658,866
Retained earnings		64,739,104	47,358,345
Equity attributable to owners of the Company		**160,535,486**	**140,279,411**
Non-controlling interests	28	**16,734,268**	**13,842,222**
Total equity		**177,269,754**	**154,121,633**
Liabilities			
Borrowings and lease liabilities	15	65,565,824	69,235,581
Deferred income	16	3,477,902	2,251,318
Deferred tax liability	25	7,601,643	6,206,696
Non-current liabilities		**76,645,369**	**77,693,595**
Borrowings and lease liabilities	15	45,212,255	28,569,171
Deferred income	16	561,616	340,880
Income tax liabilities		1,970,066	1,860,216
Employee benefits	26	3,024,711	2,227,775
Trade and other payables	17	42,700,446	40,065,471
Provisions	23	6,794,885	5,555,156
Current liabilities		**100,263,979**	**78,618,669**
Total liabilities		**176,909,348**	**156,312,264**
Total equity and liabilities		**354,179,102**	**310,433,897**

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 3 April 2020.

Vasile Tofan	**Victor Bostan**	**Victor Arapan**
Chairman of the Board of Directors	*Chief Executive Officer (CEO), Member of the Board of Directors*	*Chief Financial Officer (CFO), Member of the Board of Directors*

The accompanying notes on pages 50 to 97 are an integral part of these consolidated financial statements

	Note	2019	2018
Revenue	**18**	199,099,390	168,118,988
Cost of sales	**19**	(100,153,415)	(85,480,298)
Gross profit		**98,945,975**	**82,638,690**
Other operating income	**22**	1,035,439	259,477
Marketing and sales expenses	**20**	(19,597,134)	(13,868,082)
General and administrative expenses	**21**	(23,533,214)	(23,030,030)
Impairment loss on trade and loan receivables, net	**27**	(369,706)	89,842
Other operating expenses	**23**	(1,688,645)	598,235
Profit from operating activities		**54,792,715**	**46,688,132**
Finance income	**24**	-	4,954,887
Finance costs	**24**	(6,854,103)	(3,908,137)
Net finance (costs) / income	**24**	**(6,854,103)**	**1,046,750**
Share of profit of equity-accounted investees, net of tax	**8**	999,721	973,260
Profit before tax		**48,938,333**	**48,708,142**
Income tax expense	**25**	(8,474,858)	(6,975,212)
Profit for the year		**40,463,475**	**41,732,930**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences		6,089,567	5,081,824
Other comprehensive income for the year		**6,089,567**	**5,081,824**
Total comprehensive income for the year		**46,553,042**	**46,814,754**
Profit attributable to:			
Owners of the Company		36,295,520	37,965,900
Non-controlling interests	**28**	4,167,955	3,767,030
		40,463,475	**41,732,930**
Total comprehensive income attributable to:			
Owners of the Company		41,797,080	42,594,716
Non-controlling interests	**28**	4,755,962	4,220,038
		46,553,042	**46,814,754**
Earnings per share, RON			
Basic and diluted earnings per share	**14**	**1.82**	**1.91**

The accompanying notes on pages 50 to 97 are an integral part of these consolidated financial statements.

	Note	2019	2018
Cash flows from operating activities			
Profit for the year		40,463,475	41,732,930
Adjustments for:			
Depreciation and amortization	**7,10**	9,568,406	6,751,453
Equity-settled share-based payment transactions	**26**	1,946,882	-
(Gain) /loss on disposal of property, plant and equipment and intangible assets	**23**	382,483	(133,679)
Impairment of property, plant and equipment, net	**7**	(80,160)	(175,050)
Impairment of loans receivable, net	**27**	-	(22,303)
Impairment of trade receivables, net	**27**	369,706	(67,539)
Release of deferred income	**22**	(327,865)	(255,786)
Gains on write-off of trade and other payables	**22**	(14,248)	(7,982)
Share of profit of equity-accounted investee, net of tax	**8**	(999,721)	(973,260)
Adjustment to fair value of biological assets	**23**	129,275	(513,772)
Change in provisions, net	**23**	979,154	-
Income tax expense	**25**	8,474,858	6,975,212
Net finance (income) /costs	**24**	6,854,103	(1,046,750)
Operating profit before working capital changes		**67,746,348**	**52,263,474**
Changes in working capital:			
Inventories		(10,960,228)	(32,971,663)
Trade and other receivables		6,051,470	(10,668,589)
Prepayments		(1,967,287)	(2,730,849)
Other assets		(15,533)	(51,084)
Employee benefits		849,005	459,509
Trade and other payables		3,149,231	8,880,872
Deferred income		1,672,656	1,816,691
Cash generated from operating activities		**66,525,662**	**16,998,361**
Income tax paid		(7,784,320)	(7,015,719)
Interest paid	**15**	(5,222,767)	(3,784,661)
Net cash generated from operating activities		**53,518,575**	**6,197,981**
Cash flows from investing activities			
Payments for acquisition of intangible assets	**10**	(560,187)	(168,058)
Payments for acquisition of property, plant and equipment		(42,796,379)	(29,967,784)
Loans granted		-	(1,789,512)
Collections from loans granted		-	2,489,716
Interest collected		-	643,873
Proceeds from sale of property, plant and equipment		2,164,314	1,140,116
Net cash used in investing activities		**(41,192,252)**	**(27,651,649)**
Cash flows from financing activities			
Acquisition of non-controlling interest		-	(1,892,526)
Receipt of borrowings	**15**	53,617,902	49,222,348
Repayment of borrowings and lease liabilities	**15**	(51,057,365)	(25,711,536)
Acquisition of treasury shares	**14**	(4,573,126)	-
Dividends paid		(20,028,056)	(57,744)
Net cash generated from/ (used in) financing activities		**(22,040,645)**	**21,560,542**
Net increase/ (decrease) in cash and cash equivalents		**(9,714,322)**	**106,874**
Cash and cash equivalents at 1 January		**21,803,241**	**21,428,215**
Effect of movements in exchange rates on cash held		484,856	268,152
Cash and cash equivalents at 31 December	**13**	**12,573,775**	**21,803,241**

The accompanying notes on pages 50 to 97 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Treasury shares reserve**	**Other reserves**	**Translation reserve**	**Retained earnings (accumulated losses)**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**34,838**	**123,685,006**	**-**	**8,916,387**	**5,088,928**	**(40,483,788)**	**97,241,371**	**11,194,576**	**108,435,947**
Total comprehensive income									
Profit for the year	-	-	-	-	-	37,965,900	37,965,900	3,767,030	41,732,930
Foreign currency translation differences	-	-	-	-	4,628,816	-	4,628,816	453,008	5,081,824
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**4,628,816**	**37,965,900**	**42,594,716**	**4,220,038**	**46,814,754**
Transactions with owners of the Company									
Acquisition of non-controlling interests (Note 29)	-	-	-	-	(58,878)	502,202	443,324	(483,298)	(39,974)
Other changes in equity									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,089,094)	(1,089,094)
Increase of share capital from share premium	693,441	(693,441)	-	-	-	-	-	-	-
Offset of accumulated losses with share premium	-	(40,457,644)	-	-	-	40,457,644	-	-	-
Incorporation of contributions by owners in retained earnings	-	-	-	(8,916,387)	-	8,916,387	-	-	-
Total other changes in equity	**693,441**	**(41,151,085)**	**-**	**(8,916,387)**	**-**	**49,374,031**	**-**	**(1,089,094)**	**(1,089,094)**
Balance at 31 December 2018	**728,279**	**82,533,921**	**-**	**-**	**9,658,866**	**47,358,345**	**140,279,411**	**13,842,222**	**154,121,633**
Balance at 1 January 2019	**728,279**	**82,533,921**	**-**	**-**	**9,658,866**	**47,358,345**	**140,279,411**	**13,842,222**	**154,121,633**
Total comprehensive income									
Profit for the year	-	-	-	-	-	36,295,520	36,295,520	4,167,955	40,463,475
Foreign currency translation differences	-	-	-	-	5,501,560		5,501,560	588,007	6,089,567
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**5,501,560**	**36,295,520**	**41,797,080**	**4,755,962**	**46,553,042**
Transactions with owners of the Company									
Treasury shares acquired (Note 14)	-	-	(4,573,126)	-	-	-	(4,573,126)	-	(4,573,126)
Dividends	-	-	-	-	-	(18,914,761)	(18,914,761)	-	(18,914,761)
Total transactions with owners of the Company	**-**	**-**	**(4,573,126)**	**-**	**-**	**(18,914,761)**	**(23,487,887)**	**-**	**(23,487,887)**
Other changes in equity									
Equity-settled share-based payment (Note 14)	-	-	-	1,946,882	-	-	1,946,882	-	1,946,882
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,863,916)	(1,863,916)
Total other changes in equity	**-**	**-**	**-**	**1,946,882**	**-**	**-**	**1,946,882**	**(1,863,916)**	**82,966**
Balance at 31 December 2019	**728,279**	**82,533,921**	**(4,573,126)**	**1,946,882**	**15,160,426**	**64,739,104**	**160,535,486**	**16,734,268**	**177,269,754**

The accompanying notes on pages 50 to 97 are an integral part of these consolidated financial statements.

Note 1. Reporting entity

Purcari Wineries Public Company Limited ("the Company") is a company domiciled in Cyprus. It was incorporated on 14 June 2007 as a private liability company under the provisions of the Cyprus Companies Law, Cap. 113. The registered office of the Company is 1 Lampousas Street, 1095 Nicosia, Cyprus, Tax Identification Number 12201949I. In December 2017 the Company changed its name from Bostavan Wineries Ltd. to Purcari Wineries Ltd., and at the beginning of 2018 became a public limited company and changed its name to Purcari Wineries Public Company Limited.

The Company has an issued share capital of 200,000 EUR as at 31 December 2019, which consists of 20,000,000 ordinary shares with the nominal value of 0.01 EUR each (2018: 20,000,000 ordinary shares with the nominal value of 0.01 EUR each).

On 15 February 2018 the Company made a secondary IPO and its shares were admitted for trading at Bucharest Stock Exchange.

These financial statements are the consolidated financial statements of Purcari Wineries Public Company Limited (the "Company") and its subsidiaries (together referred to as "the Group").

The Group is primarily involved in the production and sale of wine and brandy.

Subsidiaries

The Group's subsidiaries and information related to the Company's ownership interest are presented below:

		Ownership interest	
	Country of incorporation	**31 December 2019**	**31 December 2018**
Vinorum Holdings Ltd	Gibraltar	100%	100%
West Circle Ltd	British Virgin Islands	100%	100%
Crama Ceptura SRL	Romania	100%	100%
Vinaria Bostavan SRL	Republic of Moldova	99.54%	99.54%
Vinaria Purcari SRL	Republic of Moldova	100%	100%
Vinaria Bardar SA	Republic of Moldova	56.05%	56.05%

The structure of the Group as at 31 December 2019 is as follows:

- Purcari Wineries Plc is a holding company and is domiciled in Cyprus;
- Vinorum Holdings Ltd is a holding company and is domiciled in Gibraltar;
- West Circle Ltd is a holding company and is domiciled in British Virgin Islands;
- Crama Ceptura SRL is domiciled in Romania. Its major activity is the production, bottling and sale of wines;
- Vinaria Bostavan SRL and Vinaria Purcari SRL are domiciled in Republic of Moldova. Their major activity is the production, bottling and sale of wines;
- Vinaria Bardar SA is domiciled in Republic of Moldova. Its major activity is the production, bottling and sale of brandy and divins. In November 2017 the Company launched through its subsidiary, West Circle Ltd, a public offer for the voluntary takeover of the shares of Vinaria Bardar SA. At the beginning of 2018 the process was completed and West Circle Ltd acquired additional shares. The nominal ownership interest of the Group in Vinaria Bardar SA is 53.91% as at 31 December 2019 (2018: 53.91%). However, because 3.83% of shares of Vinaria Bardar SA are treasury shares, the effective ownership interest of the Group in the subsidiary is equal to 56.05% as at 31 December 2019 (2018: 56.05%).

Rights over land

Moldovan Legislation does not allow non-residents to own freehold land in the Republic of Moldova. In order to be able to exercise control over the land on which the Group's grape vines grow, the entire area of land was acquired by Victoriavin SRL, a related party of the Group. The Group's management considers that the related party should not be consolidated because this party is not controlled by the Company. The land is leased to Vinaria Bostavan SRL and Vinaria Purcari SRL, and on it, the grape vines of these subsidiaries are planted.

Victoriavin SRL is directly and fully owned by Victor Bostan (who is also shareholder of the Company through Amboselt Universal Inc.), and not the Company, because of the prohibition in Moldovan Law for companies with any element of foreign capital (such as subsidiaries) to own agricultural land in the Republic of Moldova. If Moldovan Law would change and this restriction on ownership of agricultural land would be removed, the Company has the option of requiring Victor Bostan to sell to the Company or any of its subsidiaries the relevant agricultural land (free and clear of any liens) for a gross purchase price of up to USD 1,500 per hectare.

The Group's subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL rent land for their plantations of grape vines from the related party Victoriavin SRL based on lease agreements. On 1 January 2018 the Group signed new lease agreements with Victoriavin SRL for these plots of land, where the lease period is changed to 29 years from 1 January 2018 (to 31 December 2047). The lease payment is done annually until 30 November.

Note 2. Basis of preparation

These consolidated financial statements as at and for the year ended 31 December 2019 (hereinafter "consolidated financial statements" or "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law Cap.113.

Details of the Group's accounting policies are included in Note 6 to the consolidated financial statements. This is the first set of the Group's annual financial statements in which IFRS 16 *Leases* have been applied. Changes to significant accounting policies are described in Note 6 to the consolidated financial statements.

Note 3. Functional and presentation currency

The consolidated financial statements are presented in Romanian Leu ("RON") as the Group was listed on the Bucharest Stock Exchange (BVB) on 15 February 2018. All amounts have been rounded to the nearest unit, unless otherwise indicated.

Each entity of the Group determines its own functional currency, and items included in its financial statements are measured using the functional currency and is the currency of their primary economic environment.

The currencies of the primary economic environment in which the companies of the Group operate were as follows:

- Purcari Wineries Plc, Vinorum Holdings Ltd, West Circle Ltd - US Dollar (USD),
- Crama Ceptura SRL - Romanian Leu (RON),
- Vinaria Bardar SA, Vinaria Bostavan SRL and Vinaria Purcari SRL - Moldovan Leu (MDL).

When converting functional currency to RON/presentation currency IAS 21 requires that assets and liabilities are converted using the closing exchange rate prevailing at each reporting period. Revenue and expenses are converted using the exchange rates prevailing at the transaction date. Equity elements, other than Profit or loss for the year and Translation reserve, are translated using the historical exchange rate at the transaction date.

All foreign exchange rate differences resulting from the translation from functional currency to presentation currency are recognized as a separate component of equity ("Translation reserve") in the Consolidated Statement of Financial Position and in other comprehensive income in the Consolidated Statement of Comprehensive Income.

Note 4. Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements was included in the following notes:

- Note 8 – equity-accounted investees: whether the Group has significant influence over an investee;
- Note 23 b) – classification of joint arrangements;
- Note 26 – management incentive program;
- Note 15 – lease term.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve-month period was included in the following notes:

- Note 6 (d) – estimates relating to the useful lives of property, plant and equipment;
- Note 23 – assumptions and estimates used in the valuation of harvest of grapes;
- Note 27 – measurement of expected credit loss ("ECL") allowance for trade receivables: key assumptions in determining the weighted-average loss rate.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values was included below and in the following notes:

- Note 9 – valuation of equity instruments measured at fair value through profit or loss (“FVTPL”);
- Note 23 – valuation of biological assets (grapes on vines);
- Note 27 – financial instruments.

Note 5. Basis of measurement

Management has prepared these consolidated financial statements under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity.

These consolidated financial statements have been prepared on the historical cost basis, except for:

- biological assets (grapes on vines) which are measured at fair value less costs to sell;
- equity securities measured at FVTPL.

Note 6. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except if mentioned otherwise in this note. The accounting policies of subsidiaries have been changed where necessary to adhere to the consistent application of the accounting policies applied by the Group.

a) Changes in significant accounting policies

The Group has initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group’s financial statements.

The Group elected to adopt the simplified retrospective method for first-time application, and accordingly the 2018 comparative period has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 6 o).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases assets like land, buildings, equipment and vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet, except for the leases with variable payments and the ones for which are applied the practical expedients listed below.

Leases classified as operating leases under IAS 17

Previously, the Group classified land and buildings leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
– did not recognise right-of-use assets and liabilities for leases of low value assets;
– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
– used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

The Group leases a number of equipment and vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. As the Group measured the right-of-use assets an amount equal to the lease liabilities, there was no impact to be recognized in retained earnings. The impact on transition is summarized below.

	1 January 2019
Right-of-use assets	3,682,398
Lease liabilities	(3,682,398)

For the impact of IFRS 16 on profit or loss for the period, see Note 15.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 8.81%.

	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	11,945,046
Discounted using the incremental borrowing rate at 1 January 2019	3,682,398
Finance lease liabilities recognised as at 31 December 2018	586,551
Lease liabilities recognised at 1 January 2019	**4,268,949**

b) Basis of consolidation

There consolidated financial statements comprise the financial statements of the parent company Purcari Wineries Public Company Limited and the financial statements of the companies controlled by the Company as at 31 December 2019.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the equity-accounted investees include the Group's share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains or losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee.

c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of each company within Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RON at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RON at the exchange rates at the dates of the transactions. Components of equity are not retranslated, but recorded in RON from the initial translation into the presentation currency.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Grape vines

The Group has adopted the amendments to accounting standards IAS 16 *Property Plant and equipment* and IAS 41 *Agriculture* (effective for annual periods beginning on or after 1 January 2016). These amendments result in bearer plants being in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*, to reflect the fact that their operation is similar to that of manufacturing.

Following this amendment, the Group used the fair value of bearer plants (grape vines) as at 1 January 2014 as deemed cost at that date.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods were as follows:

- buildings and constructions 15-40 years
- equipment 3-25 years
- vehicles 5-12 years
- other fixed assets 2-30 years
- grape vines 30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Intangible assets

(i) Recognition and measurement

Intangible assets comprise software, instruction recipes, trademarks and licenses that are acquired by the Group and have finite useful lives. Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years were as follows:

- software 3-10 years
- instruction recipes 5 years

- trademarks 5.5-10 years
- licenses period of licence validity

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Biological assets

Biological assets comprise grapes on the vine, which are measured at fair value less costs to sell, with any change therein recognized in profit or loss in other operating expenses.

g) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of work in progress includes also storage costs, which are necessary in the production process before a further production stage.

The harvested product (grapes) is measured at fair value less cost to sell at the point of harvest. After harvest, it is treated as inventory in accordance with IAS 2.

h) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Other financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities include bank borrowings and trade payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

i) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in profit or loss.

j) Employee benefits

(i) Defined contribution plans

The Group, in the normal course of business makes payments to the National Social Insurance Authority and to the National Medical Insurance Authority on behalf of its Moldovan and Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally required to make defined contributions (included in the social security contributions) to the Moldovan and Romanian State pension plan (a State defined contribution plan).

Compulsory contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short term service 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 Group 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.

(iii) Share-based payments arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

l) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of goods	Customers obtain control of goods when the significant risks and rewards of ownership have been transferred to them. Revenue is recognised at that point in time, although invoices are generated when the goods are dispatched from the Group's warehouse. Invoices are usually payable within 30-90 days from the date of delivery and acceptance of goods by the customers. No discounts or loyalty points are offered for sale of goods, except for standard contractual discounts included in the invoices issued by the subsidiary Crama Ceptura SRL. Some contracts permit the customer to return an item due to quality claims, and the period for these claims is usually no longer than 15 days from the date of delivery and acceptance of goods by the customers.	Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement and incoterms. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
Services	Invoices for hotel and restaurant services are issued on the moment the services are consumed (i.e. at check-out) and usually are paid at check-out.	The revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

m) Governments grants

The Group recognises an unconditional government grant in profit or loss as other operating income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

n) Subsequent events

Events occurring after the reporting date, which provide additional information about conditions prevailing at those reporting dates (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting dates (non-adjusting events), when material, are disclosed in the notes to the financial statements.

o) Leases

The Group has applied IFRS 16 using the simplified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "Property, plant and equipment" and lease liabilities in "Borrowings and lease liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iv) Rental income

Rental income from property other than investment property is recognised as other income. Rental income is recognised on a straight-line basis over the term of the lease.

p) Finance income and finance costs

The Group's finance income and finance costs include:
- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on financial assets at FVTPL.

Interest income or expense is recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

q) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

r) Standards issued but not yet effective

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual period beginning on 1 January 2019. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

The management expects that the adoption of the below financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Group:

(i) Standards and Interpretations adopted by the EU

- “Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual periods beginning on or after 1 January 2020).
- IAS 1 “Presentation of Financial Statements” (Amendments) and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (Amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020).
- IFRS 9 “Financial Instruments” (Amendments), IAS 39 “Financial Instruments: Recognition and Measurement” (Amendments) and IFRS 7 “Financial Instruments: Disclosures” (Amendments): Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021).
- IFRS 3 “Business Combinations” (Amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020).
- IFRS 10 “Consolidated Financial Statements” (Amendments) and IAS 28 “Investments in Associates and Joint Ventures” (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).

Note 7. Property, plant and equipment

The movements of property, plant and equipment from 1 January 2018 to 31 December 2019 were as follows:

	Assets under construction	Land	Buildings and constructions	Equipment	Vehicles	Other	Grape vines	Total
Cost								
Balance at 1 January 2019	**5,182,283**	**2,479,682**	**102,041,126**	**85,326,021**	**6,562,761**	**4,746,974**	**21,134,237**	**227,473,084**
Recognition of right-of-use asset on initial application of IFRS 16	-	3,546,510	135,888	-	-	-	-	3,682,398
Adjusted balance at 1 January 2019	**5,182,283**	**6,026,192**	**102,177,014**	**85,326,021**	**6,562,761**	**4,746,974**	**21,134,237**	**231,155,482**
Additions	31,424,913	1,335,873	3,879,734	2,008,722	1,129,443	27,245	6,895,281	46,701,211
Transfers	(26,182,737)	291,953	6,940,252	16,953,028	1,233,648	763,856	-	-
Disposals	(684,951)	-	(388,777)	(10,566,564)	(752,291)	(323,657)	(475,997)	(13,192,237)
Effect of movement in exchange rates	141,300	111,673	4,186,939	3,237,596	160,560	205,639	933,204	8,976,911
Balance at 31 December 2019	**9,880,808**	**7,765,691**	**116,795,162**	**96,958,803**	**8,334,121**	**5,420,057**	**28,486,725**	**273,641,367**
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	**-**	**192,728**	**63,055,025**	**53,745,939**	**3,051,754**	**4,012,231**	**5,155,880**	**129,213,557**
Depreciation for the year	-	137,541	2,775,934	4,562,926	711,882	389,196	878,173	9,455,652
Impairment loss, net	-	-	(80,160)	-	-	-	-	(80,160)
Disposals	-	-	(342,275)	(9,729,612)	(705,216)	(322,398)	(17,456)	(11,116,957)
Effect of movement in exchange rates	-	(2,119)	2,498,926	1,715,239	74,150	161,741	232,561	4,680,498
Balance at 31 December 2019	**-**	**328,150**	**67,907,450**	**50,294,492**	**3,132,570**	**4,240,770**	**6,249,158**	**132,152,590**
Carrying amounts								
At 1 January 2019	**5,182,283**	**2,286,954**	**38,986,101**	**31,580,082**	**3,511,007**	**734,743**	**15,978,357**	**98,259,527**
At 31 December 2019	**9,880,808**	**7,437,541**	**48,887,712**	**46,664,311**	**5,201,551**	**1,179,287**	**22,237,567**	**141,488,777**

	Assets under construction	Land	Buildings and constructions	Equipment	Vehicles	Other	Grape vines	Total
Cost								
Balance at 1 January 2018	**588,539**	**2,389,074**	**95,139,680**	**67,210,859**	**4,670,991**	**4,266,209**	**19,305,135**	**193,570,487**
Additions	21,213,888	4,620	26,267	6,956,443	742,227	57,082	967,257	29,967,784
Transfers	(16,537,436)	-	3,059,273	11,815,072	1,421,778	241,313	-	-
Transfers to inventories	-	-	-	(43,456)	-	-	-	(43,456)
Disposals	(138,823)	(1,715)	(90,767)	(3,218,762)	(388,255)	(4,939)	-	(3,843,261)
Effect of movement in exchange rates	56,115	87,703	3,906,673	2,605,865	116,020	187,309	861,845	7,821,530
Balance at 31 December 2018	**5,182,283**	**2,479,682**	**102,041,126**	**85,326,021**	**6,562,761**	**4,746,974**	**21,134,237**	**227,473,084**
Accumulated depreciation and impairment losses								
Balance at 1 January 2018	**-**	**192,728**	**59,041,904**	**50,819,010**	**2,914,208**	**3,588,710**	**4,304,181**	**120,860,741**
Depreciation for the year	-	-	1,610,688	3,671,770	357,527	268,135	656,919	6,565,039
Impairment loss, net	-	-	(176,394)	1,344	-	-	-	(175,050)
Disposals	-	-	-	(2,515,517)	(327,594)	(3,969)	-	(2,847,080)
Effect of movement in exchange rates	-	-	2,578,827	1,769,332	107,613	159,355	194,780	4,809,907
Balance at 31 December 2018	**-**	**192,728**	**63,055,025**	**53,745,939**	**3,051,754**	**4,012,231**	**5,155,880**	**129,213,557**
Carrying amounts								
At 1 January 2018	**588,539**	**2,196,346**	**36,097,776**	**16,391,849**	**1,756,783**	**677,499**	**15,000,954**	**72,709,746**
At 31 December 2018	**5,182,283**	**2,286,954**	**38,986,101**	**31,580,082**	**3,511,007**	**734,743**	**15,978,357**	**98,259,527**

As at 31 December 2019 property, plant and equipment includes right-of-use assets of RON 8,410,164 related to leased land, buildings and vehicles.

The property, plant and equipment of the Group are located in the following countries:

	31 December 2019	31 December 2018
Republic of Moldova	119,031,119	80,632,377
Romania	22,457,658	17,627,150
Total	**141,488,777**	**98,259,527**

Depreciation charge

Depreciation charge is included in the following financial statement captions:

	2019	2018
Cost of sales	4,673,641	3,556,135
General and administrative expenses	1,799,864	554,146
Inventories	2,835,168	2,363,072
Unallocated overheads	146,979	91,686
Total	**9,455,652**	**6,565,039**

Security

The carrying amount of property, plant and equipment that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements. The Group is not involved in any legal disputes that may restrict its ability to use or dispose of its properties.

Note 8. Equity-accounted investees

As at 31 December 2019 and 31 December 2018 interests in equity-accounted investees are as follows:

	31 December 2019	31 December 2018
Investment in IM Glass Container Company SA group	-	-
Investment in Ecosmart Union SA	1,298,680	298,959
Total interests in equity-accounted investees	**1,298,680**	**298,959**

The share of profit of equity-accounted investees, net of tax, for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Share of the profit of IM Glass Container Company SA group	-	794,855
Share of the profit of Ecosmart Union SA	999,721	178,405
Total share of the profit of equity-accounted investees, net of tax	**999,721**	**973,260**

IM Glass Container Company SA group

In March 2017 the Group, through its subsidiary Vinaria Purcari SRL, purchased 31.415% ownership interest in IM Glass Container Company SA group (which include IM Glass Container Company SA and its subsidiary Glass Container Company-SP SRL) for a consideration in cash of RON 6,406,685 (the equivalent of MDL 29,498,035). This ownership interest was acquired from the Moldovan State as a result of privatisation round launched in this period. The consideration was paid entirely during the year ended 31 December 2017. The main activity of IM Glass Container Company SA group is the production of glass bottles.

On 16 July 2018 an Extraordinary Shareholders Meeting of Glass Container Company SA was held, during which the Group revoked two of its representatives in the Board of Directors, and waived its voting rights until the final sale of its shareholding to another investor. As this indicates the loss of significant influence, the Group reclassified the investment in IM Glass

Container Company SA from equity-accounted investees to equity instruments at fair value through profit or loss in these financial statements, and discontinued to consider IM Glass Container Company SA group as a related party since that date.

The movement in the investment in IM Glass Container Company SA group for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Balance at 1 January	-	7,136,953
Acquisition cost	-	-
Share of profit	-	794,855
Effect of movements in exchange rates	-	273,483
Transfer to equity instruments at fair value through profit or loss (Note 9)	-	(8,169,291)
Balance at 31 December	**-**	**-**

The following table summarizes the financial information of IM Glass Container Company SA group as included in its own financial statements. The table also reconciles the summarised financial information of IM Glass Container Company SA group to the carrying amount of the Group's interest in IM Glass Container Company SA group.

	30 June 2018
Percentage ownership interest	**31.415%**
Non-current assets	37,834,748
Current assets	65,643,300
Non-current liabilities	-
Current liabilities	(16,681,181)
Net assets (100%)	86,796,867
Group's share of net assets (31.415%)	27,267,236
Gain from bargain purchase	(14,782,263)
Carrying amount of investment	**12,484,973**
Revenue	41,834,228
Profit (100%)	2,530,146
Share of profit (31.415%)	794,855
Group's share of profit	**794,855**

The share of profit was calculated based on the consolidated results of IM Glass Container Company SA group for the period from 31 December 2017 to 30 June 2018, before the transfer of the investment from equity-accounted investees to equity instruments at fair value through profit or loss, as per its own financial statements.

Ecosmart Union SA

In March 2017 the Group, through its subsidiary Crama Ceptura SRL, contributed to the foundation of Ecosmart Union SA, contributing RON 108,000 for a 27% share. The main activity of Ecosmart Union SA is providing recycling services.

The movement in the investment in Ecosmart Union SA for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Balance at 1 January	298,959	120,555
Share of profit	999,721	178,404
Balance at 31 December	**1,298,680**	**298,959**

The following table summarizes the financial information of Ecosmart Union SA as included in its own financial statements. The table also reconciles the summarised financial information of Ecosmart Union SA to the carrying amount of the Group's interest in Ecosmart Union SA.

	31 December 2019	31 December 2018
Percentage ownership interest	**27%**	**27%**
Non-current assets	2,067,037	779,224
Current assets	14,327,302	5,026,216
Non-current liabilities	81,746	4,741
Current liabilities	(11,666,158)	(4,702,926)
Net assets (100%)	4,809,927	1,107,255
Group's share of net assets (27%)	1,298,680	298,959
Carrying amount of investment in associate	**1,298,680**	**298,959**
Revenue	59,949,823	25,936,958
Profit (100%)	3,702,670	660,758
Share of profit (27%)	999,721	178,405
Group's share of profit	**999,721**	**178,405**

Note 9. Equity instruments at fair value through profit or loss

The Group has 31.415% ownership interest in IM Glass Container Company SA, which is accounted as equity instruments at fair value through profit or loss.

The movement in equity instruments at fair value through profit or loss for the year ended 31 December 2019 is as follows:

	2019	2018
Balance at 1 January	**12,484,972**	-
Transfer from equity accounted investees (Note 8)	-	8,169,291
Change in fair value (Note 24)	(235,191)	4,173,065
Effect of movements in exchange rates	516,907	142,616
Balance at 31 December	**12,766,688**	**12,484,972**

The fair value measurement for equity investment in IM Glass Container Company SA has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4 b). The following table shows the valuation techniques used in measuring fair value as of 31 December 2019 and 31 December 2018, as well as the significant unobservable inputs used. The valuation of the investment was performed by an independent authorised valuator.

Valuation technique	*Discounted cash flows*: The valuation model considers the present value of the net cash flows expected to be generated by the entity, discounted using a risk-adjusted discount rate.
Significant unobservable inputs	• Expected free cash flows for 2020-2023 (RON 46,520,000) (2018: 2019-2022 (RON 15,951,000)). The significant increase compared to prior year is explained by the fact that IM Glass Container Company SA performed significant capital expenditure investments in 2019, which were estimated at 31 December 2018 to be implemented over a couple of years, and this lead to the increase of the expected free cash flows; • Risk-adjusted discount rate (15.97%) (2018: 13.01%); • Terminal growth rate (5.0%) (2018: 6.0%).
Inter-relationship between key unobservable inputs and fair value measurement	The estimated fair value would increase (decrease) by: • RON 335,367 (2018: RON 209,510), if the expected cash flows were higher (lower) by 1%; • RON 3,184,587 (2018: RON 668,288), if the risk-adjusted discount rate was lower (higher) by 1pp; or • RON 2,371,780 (2018: RON 2,783,204), if the terminal growth rate was higher (lower) by 1pp.

Note 10. Intangible assets

The movements in intangible assets from 1 January 2018 to 31 December 2019 are the following:

	2019	2018
Cost		
Balance at 1 January	1,946,704	1,716,510
Additions	560,187	168,058
Disposals	(923,634)	(10,256)
Effect of movement in exchange rates	176,176	72,392
Balance at 31 December	**1,759,433**	**1,946,704**
Amortization		
Balance at 1 January	873,128	660,550
Amortization for the year	112,754	186,414
Disposals	(452,117)	-
Effect of movement in exchange rates	39,100	26,164
Balance at 31 December	**572,865**	**873,128**
Carrying amounts		
At 1 January	**1,073,576**	**1,055,960**
At 31 December	**1,186,568**	**1,073,576**

Intangible assets are represented by trademarks, technological instructions, licenses, software and other. The carrying amount of intangible assets that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements.

The amortization was allocated to General and administrative expenses, Cost of sales, Inventories and Unallocated overheads.

Note 11. Trade and other receivables

As at 31 December 2019 and 31 December 2018, trade and other receivables were as follows:

	31 December 2019	31 December 2018
Financial receivables		
Gross trade receivables	47,245,561	47,139,467
Trade receivables due from related parties (Note 30)	-	-
Allowance for impairment of trade receivables	(1,753,281)	(1,301,136)
Total financial receivables	**45,492,280**	**45,838,331**
Non-financial receivables		
Other receivables due from related parties (Note 30)	14,693	-
Assigned receivable *	986,725	5,592,600
Other receivables	1,777,016	1,895,921
VAT receivable	4,584,212	4,873,834
Other taxes receivable	8,556	203,753
Excise receivable	1,023,861	532,313
Total non-financial receivables	**8,395,063**	**13,098,421**
Total trade and other receivables	**53,887,343**	**58,936,752**

(*) During 2018 the Group purchased a receivable from a bank for a consideration of EUR 1,200,000 (RON 5,592,600), which is measured at cost. The balance will be settled either in cash or in assets. During 2019 the Group collected in cash the amount of RON 4,777,000.

The carrying amount of trade and other receivables that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements.

The market risk, credit risk, aging of trade receivables at the reporting date and the movement in the allowance for impairment in respect of them during the year are disclosed in Note 27 to the consolidated financial statements.

Note 12. Inventories

As at 31 December 2019 and 31 December 2018 inventories were as follows:

	31 December 2019	31 December 2018
Raw materials		
Distilled alcohol	24,750,271	22,418,891
Wine materials	3,958,526	1,958,668
Other raw materials	277,468	223,661
Total raw materials	**28,986,265**	**24,601,220**
Other materials		
Packaging materials	10,422,452	11,839,751
Other materials	3,193,176	3,184,647
Chemicals	1,434,547	1,262,420
Total other materials	**15,050,175**	**16,286,818**
Semi-finished production		
Wine in barrels	60,550,265	56,446,189
Divin in barrels	6,107,034	5,675,046
Brandy in barrels	-	10,742
Total semi-finished production	**66,657,299**	**62,131,977**
Bottled finished goods		
Wine	13,482,659	9,556,576
Divin	706,764	541,630
Other finished goods	23,549	18,759
Brandy	21,969	8,978
Total bottled finished goods	**14,234,941**	**10,125,943**
Total inventories	**124,928,680**	**113,145,958**

The carrying amount of inventories that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements.

The inventories that are expected to be recovered in more than 12 months after the end of the reporting date have been classified to non-current assets and amount to RON 49,663,983 as at 31 December 2019 (2018: RON 34,878,531). These relate to wine in barrels RON 30,398,652 (2018: RON 14,776,476) and distilled alcohol and divin in barrels RON 19,265,331 (2018: RON 20,102,055).

Note 13. Cash and cash equivalents

As at 31 December 2019 and 31 December 2018 cash and cash equivalents were as follows:

	31 December 2019	31 December 2018
Bank accounts	12,551,146	21,736,689
Petty cash	22,629	66,552
Total cash and cash equivalents	**12,573,775**	**21,803,241**

Cash and cash equivalents consist of cash in hand, current accounts and short-term deposits with banks, which are at the free disposal of the Group.

The carrying amount of cash and cash equivalents that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements.

The market risk and credit risk are disclosed in Note 27 to the consolidated financial statements.

Note 14. Equity attributable to owners of the Company

	2019	2018
(in shares)		
On issue at 1 January	20,000,000	4,751,295
Bonus shares issued	-	15,248,705
On issue at 31 December	**20,000,000**	**20,000,000**
Authorized – par value	**EUR 0.01**	**EUR 0.01**

Share capital and share premium

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

The share premium resulting on subscription of ordinary shares amounted to RON 123,685,006. On 04 January 2018 the Company increased its authorized share capital to EUR 200,000 divided into 20,000,000 ordinary shares with nominal value of EUR 0.01 each, by making subdivision and issue of bonus shares out of the share premium reserve in amount of RON 693,441. Also, during 2018 the Company covered accumulated losses of RON 40,457,644, from the share premium. As of 31 December 2019 and 31 December 2018, the share premium amounts to RON 82,533,921.

As at 31 December 2019 the share capital structure and the ownership of registered shares was as follows:

	Number of shares	% of ownership
Amboselt Universal Inc.	5,006,172	25.0309%
Fiera Capital	1,885,297	9.4265%
Conseq	1,242,673	6.2134%
East Capital	1,135,156	5.6759%
SEB	1,101,873	5.5094%
Franklin Templeton	1,023,987	5.1199%
Others	8,604,842	43.0242%
Total	**20,000,000**	**100%**

As at 31 December 2018 the share capital structure and the ownership of registered shares was as follows:

	Number of shares	% of ownership
Amboselt Universal Inc.	5,006,172	25.0309%
Lorimer Ventures Limited	4,539,233	22.6962%
Franklin Templeton	1,700,000	8.5000%
Magna Umbrella Fund	1,302,226	6.5111%
SEB	1,285,780	6.4289%
Conseq	936,411	4.6821%
International Finance Corporation	654,591	3.2730%
Others	4,575,587	22.8779%
Total	**20,000,000**	**100%**

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation to the presentation currency.

Treasury share reserve

The Company repurchased 200,000 shares during 2019 in amount of RON 4,573,126 in order to implement the Company's shareholders meeting resolutions no. 3 of 14 June 2018 and no. 5 of 25 April 2019 in connection with the Management Incentive Program (see Note 26).

Other reserves

In 2019 the Company accounted for equity-settled share-based payment in amount of RON 1,946,882 in connection with the Management Incentive Program (see Note 26). In 2018 the contributions by owners of RON 8,916,387 were incorporated in retained earnings.

Dividends

During 2019 the Company declared and paid dividends of RON 0.95 per share.

Earnings per share

The calculation of earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:

	2019	2018
Profit for the year, attributable to owners of the Company	**36,295,520**	**37,965,900**
Issued ordinary shares at 1 January	20,000,000	4,751,295
Effect of bonus shares issued	-	15,081,596
Effect of treasury shares held	(62,028)	-
Weighted-average number of ordinary shares outstanding at 31 December	**19,937,972**	**19,832,891**
Earnings per share – basic and diluted	**1.82**	**1.91**

The Group has not issued any potentially dilutive instruments.

Note 15. Borrowings and lease liabilities

This note provides information about the contractual terms of the Group's interest-bearing borrowings and lease liabilities, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 27 to the consolidated financial statements.

As at 31 December 2019 and 31 December 2018, borrowings and lease liabilities were as follows:

	31 December 2019	31 December 2018
Non-current liabilities		
Secured bank loans	58,193,596	68,969,877
Lease liabilities (2018: finance lease liabilities)	7,372,228	265,704
Total non-current portion	**65,565,824**	**69,235,581**
Current liabilities		
Current portion of secured bank loans	44,304,457	28,248,324
Current portion of lease liabilities (2018: current portion of finance lease liabilities)	907,798	320,847
Total current portion	**45,212,255**	**28,569,171**
Total borrowings and lease liabilities	**110,778,079**	**97,804,752**

The movements of borrowings and lease liabilities for the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Balance at 1 January	**97,804,753**	**74,222,939**
Recognition of right-of-use asset on initial application of IFRS 16	3,682,398	-
Adjusted balance at 1 January 2019	**101,487,151**	**74,222,939**
Proceeds from borrowings	53,617,902	49,222,348
Repayment of borrowings and lease liabilities	(51,057,365)	(25,711,536)
Interest expense (Note 24)	5,804,027	3,908,137
Interest paid	(5,222,767)	(3,784,661)
Recognition of right-of-use asset during the year	4,164,474	-
Effect of movement in exchange rates	1,984,657	(52,475)
Balance at 31 December	**110,778,079**	**97,804,752**

Security

As at 31 December 2019 and 31 December 2018 the carrying amounts of assets that are subject to a registered debenture to secure bank loans were as follows:

	31 December 2019	31 December 2018
Property, plant and equipment	55,047,630	58,001,510
Trade and other receivables	-	44,189,667
Inventories	62,086,222	26,968,731
Intangible assets	570,106	547,176
Cash and cash equivalents	1,288,752	14,174,687
Total	**118,992,710**	**143,881,771**

Terms and debt repayment schedule

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2019		31 December 2018	
					Non-current	Current	Non-current	Current
Secured bank loan	BC Moldova Agroindbank SA (1)	MDL	8.50%	2019	-	-	-	1,531,280
Secured bank loan	BC Moldova Agroindbank SA (2)	EUR	3.90%	2019	-	-	-	2,781,888
Secured bank loan	BC Moldova Agroindbank SA (3)	EUR	3.90%	2020	-	1,707,856	7,199,212	5,795,753
Secured bank loan	BC Moldova Agroindbank SA (4)	MDL	8.50%	2020	-	6,558,537	1,690,492	1,068,142
Secured bank loan	BC Moldova Agroindbank SA (5)	MDL	8.75%	2020	-	2,327,318	-	-
Secured bank loan	BC Moldova Agroindbank SA (6)	EUR	3.90%	2020	-	2,577,752	-	-
Secured bank loan	BC Moldova Agroindbank SA (7)	MDL	8.50%	2021	5,114,406	-	6,057,397	-
Secured bank loan	BC Moldova Agroindbank SA (8)	EUR	3.90%	2021	1,775,124	1,678,586	2,264,662	-
Secured bank loan	BC Moldova Agroindbank SA (9)	EUR	3.90%	2021	1,274,996	913,241	2,261,415	1,137,898
Secured bank loan	BC Moldova Agroindbank SA (10)	EUR	3.90%	2021	2,258,727	4,838,981	-	-
Secured bank loan	BC Moldova Agroindbank SA (11)	MDL	8.50%	2020	-	1,835,363	-	-
Secured bank loan	BC Moldova Agroindbank SA (12)	EUR	3.90%	2022	1,454,438	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (13)	MDL	8.50%	2022	3,925,710	256,034	-	-
Secured bank loan	BC Moldova Agroindbank SA (14)	MDL	8.50%	2021	238,433	938,041	3,132,899	695,777
Secured bank loan	BC Moldova Agroindbank SA (15)	EUR	3.90%	2020	-	1,015,723	1,039,091	5,061,085
Secured bank loan	BC Moldova Agroindbank SA (16)	EUR	3.90%	2020	-	2,238,664	-	-
Secured bank loan	BC Moldova Agroindbank SA (17)	MDL	8.50%	2021	-	-	4,843,848	-
Secured bank loan	BC Moldova Agroindbank SA (18)	EUR	3.90%	2021	6,148,919	-	5,084,125	-
Secured bank loan	BC Moldova Agroindbank SA (19)	EUR	3.90%	2021	-	-	1,272,121	1,279,219
Secured bank loan	BC Moldova Agroindbank SA (20)	MDL	8.50%	2021	794,723	495,022	1,258,720	-
Secured bank loan	BC Moldova Agroindbank SA (21)	EUR	3.90%	2021	1,922,860	5,162,901	-	-
Secured bank loan	BC Moldova Agroindbank SA (22)	MDL	8.50%	2021	1,062,914	1,248,815	-	-
Secured bank loan	BC Moldova Agroindbank SA (23)	EUR	3.90%	2022	8,345,139	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (24)	MDL	8.50%	2020	-	3,815,317	-	-
Secured bank loan	Ministry of Finance of Moldova (1) (project financed by EIB)	EUR	3.73%	2020	-	476,865	463,880	927,760
Secured bank loan	Ministry of Finance of Moldova (2) (project financed by EIB)	EUR	3.73%	2021	817,466	817,490	1,590,436	795,230

Terms and debt repayment schedule (continued)

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2019 Non-current	31 December 2019 Current	31 December 2018 Non-current	31 December 2018 Current
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (1)	USD	4.50%	2019	-	-	845,479	1,227,237
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (2)	USD	4.75%	2021	1,337,915	-	3,706,976	1,588,704
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (3)	USD	4.75%	2025	1,023,849	227,488	1,206,412	219,348
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (4)	USD	4.50%	2020	-	863,908	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (5)	USD	4.75%	2026	1,440,037	100,143	-	-
Secured bank loan	UNICREDIT BANK SA (1)	RON	ROBOR 1M+1.30%	Undetermined	2,200,000	-	7,000,000	-
Secured bank loan	UNICREDIT BANK SA (4)	EUR	EURIBOR 1M+1.50%	Undetermined	8,975,617	-	8,950,606	-
Secured bank loan	UNICREDIT BANK SA (8)	EUR	EURIBOR 1M+1.50%	Undetermined	3,106,545	-	-	-
Secured bank loan	UNICREDIT BANK SA (2)	RON	ROBOR 1M+1.95%	2020	-	96,828	96,828	145,242
Secured bank loan	UNICREDIT BANK SA (3)	RON	ROBOR 1M+1.95%	2021	1,059,469	1,562,395	2,603,993	1,562,395
Secured bank loan	UNICREDIT BANK SA (7)	EUR	EURIBOR 1M+1.75%	2021	1,335,689	1,657,399	2,938,257	1,679,004
Secured bank loan	UNICREDIT BANK SA (5)	EUR	EURIBOR 1M+1.60%	2023	2,077,047	728,443	2,737,748	730,066
Secured bank loan	UNICREDIT BANK SA (6)	RON	ROBOR 1M+1.60%	2023	503,573	165,347	686,683	183,116
Lease liabilities		RON/ MDL/ EUR	3.90%-11.25%	2021-2047	7,372,228	907,798	304,301	160,027
Total borrowings and lease liabilities					**65,565,824**	**45,212,255**	**69,235,581**	**28,569,171**

Loan covenants

At 31 December 2019 and 31 December 2018 the Group complied with the loan covenants stipulated in loan contracts.

Lease liabilities

The Group leases assets like land, buildings, equipment and vehicles.

The Group's subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL rent land for their plantations of grape vines from the related party Victoriavin SRL based on lease agreements. On 1 January 2018 the Group signed new lease agreements with Victoriavin SRL for these plots of land, where the lease period is changed to 29 years from 1 January 2018 (to 31 December 2047). The lease payment is done annually until 30 November. The lease term approximates the remaining useful life of plantations of grape vines of Vinaria Bostavan SRL and Vinaria Purcari SRL. Previously, these leases were classified as operating leases under IAS 17.

The lease of buildings relates to offices and warehouses, and the period of lease is around 6 years (taking into account the extension options exercisable by the Group). Previously, these leases were classified as operating leases under IAS 17.

The Group leases equipment and vehicles under a number of leases, which were previously classified as finance leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

(i) *Right of use assets*

	Land	Buildings and constructions	Equipment	Vehicles	Total
Balance at 1 January 2019	**3,546,510**	**135,888**	**43,532**	**911,215**	**4,637,145**
Additions to right-of-use assets	406,364	4,254,199	-	175,773	4,836,336
Depreciation charge for the year	(135,528)	(665,413)	(4,257)	(124,708)	(929,906)
Derecognition of right-of-use assets	-	-	(39,275)	(333,167)	(372,442)
Effect of movements in exchange rates	157,063	81,968	-	-	239,031
Balance at 31 December 2019	**3,974,409**	**3,806,642**	**-**	**629,113**	**8,410,164**

Derecognition of the right-of-use assets during 2019 is as a result of termination of lease.

(ii) *Amounts recognized in profit or loss*

Total interest expense on lease liabilities amounted to RON 520,037 for the year ended 31 December 2019.

(iii) *Amounts recognized in statement of cash flows*

Total cash outflow for leases amounted to RON 868,500 for the year ended 31 December 2019.

Note 16. Deferred income

The movement in deferred income for 31 December 2019 and 31 December 2018 was as follows:

	2019	2018
Balance at 1 January	**2,592,198**	**970,856**
Grants received	1,672,656	1,816,691
Release of deferred income	(327,865)	(255,786)
Effect of movements in exchange rates	102,529	60,437
Balance at 31 December	**4,039,518**	**2,592,198**

The Group's deferred income mainly represents government grants received for investments in property, plant and equipment. The Group is restricted to sell the assets for which a grant has been received for a period of three years.

Note 17. Trade and other payables

As at 31 December 2019 and 31 December 2018 trade and other payables were as follows:

	31 December 2019	31 December 2018
Financial payables		
Trade accounts payable	37,340,540	36,678,488
Trade payables due to related parties (Note 30)	1,362,849	894,692
Total financial payables	**38,703,389**	**37,573,180**
Non-financial payables		
Other tax liabilities	1,158,244	457,530
Advances received	899,685	884,355
Dividend payables	1,939,128	1,150,406
Total non-financial payables	**3,997,057**	**2,492,291**
Total trade and other payables	**42,700,446**	**40,065,471**

For more information about the Group's exposure to foreign currency and liquidity risk, see Note 27 to the consolidated financial statements.

Note 18. Revenue

Revenues for the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Sales of finished goods		
Wine	165,640,157	140,283,073
Divin	28,473,327	22,281,739
Brandy	388,802	461,084
Total sales of finished goods	**194,502,286**	**163,025,896**
Sales of other goods		
Merchandise	719,595	2,053,889
Other	277,481	580,705
Wine materials	606,685	335,466
Agricultural products	-	5,183
Total sales of other goods	**1,603,761**	**2,975,243**
Services		
Hotel and restaurant services	2,604,418	1,821,445
Agricultural services	388,925	296,404
Total services	**2,993,343**	**2,117,849**
Total revenue	**199,099,390**	**168,118,988**

Contract assets represent trade receivables of the Group in amount of RON 45,492,280 at 31 December 2019 (2018: RON 45,838,331) (Note 11), and contract liabilities represent advances received from customers (which are recognized in revenue in the following year) in amount of RON 899,685 at 31 December 2019 (2018: RON 884,355) (Note 17).

The management monitors the performance of the Group as a single segment.

Segment analysis

A reportable segment is a component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generate revenues other that risks and income of those components that are peculiar to other business segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating business are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets.

Sales of finished goods by brand and geographic region for the year ended 31 December 2019 were as follows:

	Bostavan wine	Purcari wine	Crama Ceptura wine	Bardar divin and brandy	Total
Romania	2,753,210	50,272,989	27,714,264	1,196,400	81,936,863
Republic of Moldova	5,646,233	20,093,027	-	19,074,489	44,813,749
Poland	20,439,927	290,362	17,429	32,751	20,780,469
Czech Rep. and Slovakia	9,164,965	7,669	-	-	9,172,634
Asia	4,830,811	5,480,275	940,535	312,184	11,563,805
Belarus	707,775	136,353	-	7,251,504	8,095,632
Baltic countries	5,321,828	124,210	68,076	362,019	5,876,133
Ukraine	3,183,853	3,404,340	-	-	6,588,193
Other	2,418,490	1,710,142	913,394	632,782	5,674,808
Total	**54,467,092**	**81,519,367**	**29,653,698**	**28,862,129**	**194,502,286**

Sales of finished goods by brand and geographic region for the year ended 31 December 2018 were as follows:

	Bostavan wine	Purcari wine	Crama Ceptura wine	Bardar divin and brandy	Total
Romania	2,859,573	36,666,798	25,315,617	274,678	65,116,666
Republic of Moldova	5,519,156	17,431,428	-	14,765,963	37,716,547
Poland	17,362,664	193,636	40,969	15,480	17,612,749
Czech Rep. and Slovakia	11,706,407	-	-	-	11,706,407
Asia	3,394,345	3,195,549	477,303	536,015	7,603,212
Belarus	182,185	101,265	-	6,373,233	6,656,683
Baltic countries	5,162,266	-	-	423,818	5,586,084
Ukraine	2,704,413	2,451,596	-	-	5,156,009
Other	3,349,916	1,211,520	956,467	353,636	5,871,539
Total	**52,240,925**	**61,251,792**	**26,790,356**	**22,742,823**	**163,025,896**

Note 19. Cost of sales

Cost of sales for the years ended 31 December 2019 and 31 December 2018 was as follows:

	2019	2018
Sales of finished goods		
Wine	82,879,623	71,551,750
Divin	12,757,596	9,687,653
Brandy	299,624	312,861
Total sales of finished goods	**95,936,843**	**81,552,264**
Sales of other goods		
Merchandise	611,656	1,342,170
Other	255,282	281,049
Wine materials	533,885	326,313
Agricultural products	-	1,273
Total sales of other goods	**1,400,823**	**1,950,805**
Services		
Hotel and restaurant services	2,461,827	1,736,673
Agricultural services	353,922	240,556
Total services	**2,815,749**	**1,977,229**
Total cost of sales	**100,153,415**	**85,480,298**

The nature of the expenses that are part of the Group's cost of sales for the years ended 31 December 2019 and 31 December 2018 was as follows:

	2019	2018
Consumption of inventories	87,206,033	75,896,616
Employee benefits (Note 26)	7,298,024	5,333,943
Depreciation of property, plant and equipment (Note 7)	4,673,641	3,556,135
Other	975,717	693,604
Total cost of sales	**100,153,415**	**85,480,298**

Other expenses presented above include amortization of intangible assets and services rendered by third parties.

Note 20. Marketing and sales expenses

Marketing and sales expenses for the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Marketing and sales	9,748,848	5,829,567
Transportation expenses	4,073,724	3,159,094
Employee benefits (Note 26)	4,977,858	4,012,919
Certification of production	532,043	580,464
Other expenses	264,661	286,038
Total marketing and sales expenses	**19,597,134**	**13,868,082**

Note 21. General and administrative expenses

General and administrative expenses for the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Employee benefits (Note 26)	14,577,550	12,984,360
Taxes and fees	1,564,709	1,637,120
Depreciation (Note 7)	1,799,866	554,146
Repairs and maintenance	321,699	648,038
Operating lease	372,732	879,820
Travel	712,984	788,337
Professional fees	1,735,454	2,671,561
Bank charges	696,287	635,000
Communication	279,617	328,426
Insurance	192,630	173,139
Fuel	161,858	153,482
Materials	282,142	130,510
Penalties	28,462	42,861
Other	807,224	1,403,230
Total general and administrative expenses	**23,533,214**	**23,030,030**

In professional fees have been included fees for independent auditors' remuneration for statutory audit of the annual financial statements in amount of RON 472,543 (2018: RON 1,077,545) and independent auditor's remuneration for other services in amount of RON 793,522 for the year ended 31 December 2018.

Note 22. Other operating income

Other operating income for the years ended 31 December 2019 and 31 December 2018 was as follows:

	2019	2018
Release of deferred income	327,865	255,786
Gains on write-off of trade and other payables	14,248	7,982
Net gain/ (loss) from sale of other materials	(64,789)	(194,691)
Other	758,115	190,400
Total other operating income	**1,035,439**	**259,477**

Note 23. Other operating expenses

Other operating expenses for the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Impairment of property, plant and equipment, net	(80,160)	(175,050)
Change in provisions, net	979,154	-
Unallocated overheads	228,478	184,313
Adjustment to fair value of harvest of grapes from own grape vines (a)	(492,135)	(1,098,851)
Adjustment to fair value of harvest of grapes from joint operation / operating leasing (b)	621,410	585,079
Net (gain)/ loss from disposal of property, plant and equipment and intangible assets	382,483	(133,679)
Other	49,415	39,953
Total other operating expenses	**1,688,645**	**(598,235)**

Provisions

The Group has set-up provisions for tax risks for which management has assessed as probable an outflow of resources.

The movement in provisions for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Balance at 1 January	**5,555,156**	**5,306,827**
Provisions made during the year	979,154	-
Effect of movements in exchange rates	260,575	248,329
Balance at 31 December	**6,794,885**	**5,555,156**

Adjustment to fair value of harvest of grapes

The movement of biological assets (grapes on vines) for the years ended 31 December 2019 and 31 December 2018 was as follows:

	2019	2018
Balance at 1 January	-	-
Costs for cultivation of grapes	17,436,191	16,955,143
Fair value adjustment of harvest of grapes	(129,275)	513,772
Harvested grapes transferred to inventories	(17,306,916)	(17,468,915)
Balance at 31 December	-	-

Harvested grapes are transferred to inventories at their fair value, equal to the market price at the date of harvest, less costs to sell at the date of harvest. Market prices are determined by making reference to the weighted average of the grape prices for each region for the current vintage, and vary with the grade quality of grapes produced. Costs to sell refer to costs that are necessary for a sale to occur but that would not otherwise arise, such as commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. In the regions where the grapes are cultivated, a sale of grapes would take place without the above mentioned costs being incurred, therefore for the estimation of fair value of grapes the costs to sell are considered nil.

Costs for cultivation of grapes comprise the following types of costs:

	2019	2018
Services	9,342,586	8,055,957
Consumption of inventories	4,378,940	4,380,542
Employee benefits	1,130,417	907,119
Depreciation of property, plant and equipment	2,025,396	944,427
Operating lease	214,061	850,237
Other	344,791	1,816,861
	17,436,191	**16,955,143**

a) Harvest of grapes from own grape vines

The subsidiaries of the Group, Vinaria Bostavan SRL and Vinaria Purcari SRL have their own grape vines, which are located in the Republic of Moldova.

The areas of plantations of own grape vines (hectares of plantations) and quantities of harvested grapes were as follows:

	2019	2018
Area of plantations of mature vines, hectares	1,112	869
Area of plantations of immature vines, hectares	46	27
Total area of plantations of vines, hectares	**1,158**	**896**
Quantity of harvested grapes, tonnes	11,383	11,853

The Group is subject to laws and regulations in the country where the vines are cultivated. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

The Group's vine plantations are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections of the health of vines and industry pest and disease surveys.

b) Joint operations and operating lease of grape vines

The areas of plantations of vines under joint operations and operating lease (hectares of plantations) and quantities of harvested grapes were as follows:

	2019	2018
Area of plantations of vines under joint operation arrangement, hectares	61	64
Area of plantations of vines under operating lease, hectares	141	63
Total area, hectares	**202**	**127**
Quantity of harvested grapes under joint operation arrangement, tonnes	350	601
Quantity of harvested grapes under operating lease, tonnes	1,219	673
Total quantity, tonnes	**1,569**	**1,274**

Joint operations

Starting from 27 February 2013, Crama Ceptura SRL entered into a joint arrangement with Vie Vin Podgoria Valea Calugareasca SRL ("Vie Vin"), for a period of one year. After one year of activity, based on the arrangement's results the management of the Group decided to extend the agreement until 2018.

The purpose of the arrangement is to produce and/or to trade grapes and wine. In addition, the partners are jointly involved in viticulture and provide each other with management, legal, marketing and trade support. The joint operation takes place in Romania.

Crama Ceptura SRL and Vie Vin contractually agreed that the operation is administrated by a governing council, formed by two members. Each party appointed one representative to this council. The activities of the operation require the unanimous consent of the parties that control the arrangement collectively. As joint control exists explicitly, because no decisions can be made about the relevant activities of the arrangement without both Crama Ceptura SRL and Vie Vin agreeing, the arrangement is a joint arrangement. The Group has concluded that the arrangement is a joint operation. In doing so, the Group considered the terms and conditions of the partnership agreement and the purpose and design of the joint arrangement. The arrangement was not structured as a separate vehicle from the parties.

Under the contractual arrangement between Crama Ceptura SRL and Vie Vin, each retain the rights and legal title to their respective assets and the obligation to settle their respective liabilities. However, they agree to jointly cultivate the vines, which are rented by Vie Vin from individuals under operating lease, and therefore Crama Ceptura SRL and Vie Vin recognize 87% and 13% (2018: 87% and 13%) respectively of all revenues and expenses relating to the partnership.

The contractual obligation of Vie Vin is to contribute to the joint arrangement with the following:

- right of use for vines it rents from individuals under operating lease;
- right of use for equipment it owns at the date of agreement; and
- labour force.

The contractual obligation of Crama Ceptura SRL is to contribute to the joint arrangement with:

- working capital up to RON 1,600,000 per year; and
- know-how, technical management and joint arrangement management.

The outputs from joint operations are distributed in kind (grapes, wine) or in cash. Crama Ceptura SRL is entitled only to distributions in kind. The joint operators allocate the outputs annually, at the end of the harvest period, using the proportion from the harvest of 87% for Crama Ceptura SRL and 13% for Vie Vin (2018: 87% and 13%).

On 31 January 2019 Crama Ceptura SRL renewed the agreement with Vie Vin for a period of 3 years, on similar conditions, except the level of working capital amount per year was excluded (2018: up to RON 1,600,000).

Operating lease of grape vines

The subsidiary Crama Ceptura SRL entered into several operational lease agreements for the lease of grape vines located in Romania. According to the agreements, Crama Ceptura SRL is required to maintain the grape vines and it is entitled to harvest. The Group carried out an analysis and concluded that these leases of grape vines should be accounted as operating lease.

The lease payments are made to the lessors in nature (grapes, wine), in proportion from 5% to 30% (depending on the agreement) from the harvest on leased grape vines.

Note 24. Net finance income /(costs)

Net finance costs for the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Net gain on equity instruments at FVTPL (Note 9)	-	4,173,059
Net foreign exchange gain	-	723,536
Interest income	-	58,292
Finance income	**-**	**4,954,887**
Interest expense	(5,804,027)	(3,908,137)
Net loss on equity instruments at FVTPL (Note 9)	(235,191)	-
Net foreign exchange loss	(814,885)	-
Finance costs	**(6,854,103)**	**(3,908,137)**
Net finance income /(costs)	**(6,854,103)**	**1,046,750**

Note 25. Income tax

The corporate income tax rate in Cyprus was 12.5% for the years 2019 and 2018, 12% in the Republic of Moldova and 16% in Romania. Deferred tax has been determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Tax recognized in profit or loss for the years ended 31 December 2019 and 31 December 2018 was as follows:

	2019	2018
Current tax expense		
Current tax	7,491,192	6,086,733
Adjustment for prior years	(138,334)	-
Total current tax expense	**7,352,858**	**6,086,733**
Deferred tax expense		
Origination and reversal of temporary differences	1,122,000	888,479
Total deferred tax expense	**1,122,000**	**888,479**
Income tax expense	**8,474,858**	**6,975,212**

The reconciliation of effective tax rate for the years ended 31 December 2019 and 31 December 2018 was as follows:

	2019		2018	
Profit before tax		**48,938,333**		**48,708,142**
Tax using the Company's domestic tax rate	12.50%	6,117,292	12.50%	6,088,518
Effect of different tax rates in foreign jurisdictions	0.94%	461,100	0.31%	149,894
Tax exempt income	(0.05%)	(23,809)	(0.18%)	(87,550)
Non-deductible expenses	1.76%	861,930	0.27%	132,766
Investment incentives	0.00%	-	(0.07%)	(32,225)
Current year losses for which no deferred tax assets were recognized	2.45%	1,196,679	1.49%	723,809
Under (over) provided in prior years	(0.28%)	(138,334)	0.00%	-
Income tax expense	**17.32%**	**8,474,858**	**14.32%**	**6,975,212**

Deferred tax assets and liabilities as at 31 December 2019 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	279,551	(6,269,536)	(5,989,985)
Intangible assets	6,849	(68,413)	(61,564)
Equity instruments at FVTPL	-	(655,603)	(655,603)
Inventories	878,820	(18,489)	860,331
Other current assets	13,741	-	13,741
Trade and other receivables	593,114	-	593,114
Equity-accounted investees	-	(190,509)	(190,509)
Borrowings and lease liabilities	983,808	(71,360)	912,448
Deferred income	-	(403,554)	(403,554)
Trade and other payables	111,641	-	111,641
Retained earnings	-	(2,791,703)	(2,791,703)
Deferred tax assets (liabilities) before set-off	**2,867,524**	**(10,469,167)**	**(7,601,643)**
Set off of tax	(2,867,524)	2,867,524	-
Deferred tax liabilities	**-**	**(7,601,643)**	**(7,601,643)**

Deferred tax assets and liabilities as at 31 December 2018 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	375,867	(4,804,700)	(4,428,833)
Intangible assets	11,239	(65,824)	(54,585)
Equity instruments at FVTPL	-	(131,736)	(131,736)
Inventories	747,428	34,757	782,185
Other current assets	14,784	-	14,784
Trade and other receivables	575,645	379	576,024
Borrowings and lease liabilities	19,947	(55,658)	(35,711)
Deferred income	-	(412,296)	(412,296)
Trade and other payables	204,067	-	204,067
Retained earnings	-	(2,720,595)	(2,720,595)
Deferred tax assets (liabilities) before set-off	**1,948,977**	**(8,155,673)**	**(6,206,696)**
Set off of tax	(1,948,977)	1,948,977	-
Deferred tax liabilities	**-**	**(6,206,696)**	**(6,206,696)**

The movement in deferred tax balances during the year ended 31 December 2019 was as follows:

	31 December 2018	Recognized in profit or loss	Effect of movements in exchange rates	31 December 2019
Property, plant and equipment	(4,428,833)	(1,341,233)	(219,919)	(5,989,985)
Intangible assets	(54,585)	(4,225)	(2,754)	(61,564)
Equity instruments at FVTPL	(131,736)	(504,831)	(19,036)	(655,603)
Inventories	782,187	48,757	29,387	860,331
Other current assets	14,784	(1,618)	575	13,741
Trade and other receivables	576,024	13,466	3,624	593,114
Equity-accounted investees	-	(190,509)	-	(190,509)
Borrowings and lease liabilities	(35,711)	910,019	38,140	912,448
Deferred income	(412,295)	25,340	(16,599)	(403,554)
Trade and other payables	204,066	(77,166)	(15,259)	111,641
Retained earnings	(2,720,595)	-	(71,108)	(2,791,703)
Total	**(6,206,696)**	**(1,122,000)**	**(272,947)**	**(7,601,643)**

The movement in deferred tax balances during the year ended 31 December 2018 was as follows:

	31 December 2017	Recognized in profit or loss	Effect of movements in exchange rates	31 December 2018
Property, plant and equipment	(3,989,304)	(255,673)	(183,856)	(4,428,833)
Intangible assets	(62,882)	11,078	(2,781)	(54,585)
Loans receivable	2,525	(2,601)	76	-
Equity instruments at FVTPL	-	(130,045)	(1,691)	(131,736)
Inventories	633,674	119,094	29,417	782,185
Other current assets	12,405	1,806	573	14,784
Trade and other receivables	171,490	400,457	4,077	576,024
Contributions by owners	(1,478,227)	1,547,398	(69,171)	-
Borrowings and lease liabilities	(42,379)	8,680	(2,012)	(35,711)
Deferred income	(418,219)	24,094	(18,170)	(412,295)
Trade and other payables	92,564	107,828	3,674	204,066
Retained earnings	-	(2,720,595)	-	(2,720,595)
Total	**(5,078,353)**	**(888,479)**	**(239,864)**	**(6,206,696)**

Unrecognized deferred tax assets

Deferred tax assets as at 31 December 2019 and 31 December 2018 have not been recognized in respect of:

	31 December 2019	31 December 2018
Tax losses	1,953,751	723,809

The tax losses as at 31 December 2019 and 31 December 2018 will expire as follows:

	31 December 2019	31 December 2018
Up to 1 year	-	-
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	757,072	-
4 to 5 years	1,196,679	723,809
	1,953,751	**723,809**

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Management has determined that the recoverability of cumulative tax losses of the Parent (Purcari Wineries Public Company Limited), is uncertain due to specific activity as a holding company, which lacks taxable income and accounts for significant deductible expenses.

Note 26. Employee benefits

As at 31 December 2019 and 31 December 2018, employee benefit payables were as follows:

	31 December 2019	31 December 2018
Payables to employees	2,148,418	1,372,307
Accruals for unused vacation	876,293	855,468
Total employee benefit payables	**3,024,711**	**2,227,775**

During the year ended 31 December 2019 the average number of staff was 667 persons (2018: 602). Employee benefit expenses include base salaries, mandatory medical contribution, mandatory social contribution, bonuses for performance and equity-settled share-based payment.

The employee benefit expenses are included in the following captions:

	2019	2018
General and administrative expenses (Note 21)	14,577,550	12,984,360
Cost of sales (Note 19)	7,298,024	5,333,943
Inventory	5,717,588	3,544,433
Marketing and sales expenses (Note 20)	4,977,858	4,012,919
Total employee benefit expenses	**32,571,020**	**25,875,655**

The employee benefit expenses comprise the following categories:

	2019	2018
Base salaries and bonuses for performance	27,149,458	22,470,428
Equity-settled share-based payment	1,946,882	-
Mandatory social and medical contributions	3,474,680	3,405,227
Total employee benefit expenses	**32,571,020**	**25,875,655**

Management incentive program

On 15 June 2018, the Company's shareholders approved a Special Resolution providing for a Management Stock Option Plan, in the framework of a Management Incentive Program.

The Plan mainly targets members of the Group's senior management team (except the CEO) and is intended to further align the interests of such Beneficiaries with those of the Company's shareholders. The plan duration of 4 years and comprises the following:

a) award of up to 400,000 shares in the Company to the Beneficiaries, free of charge, with annual vesting (i.e. 1/4 vests at the end of each year) and subject to relevant performance indicators to be determined by the Board of Directors; and

b) award of stock options to the Beneficiaries (the Options), with annual vesting (i.e. 1/4 vests at the end of each year), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:
   - up to 400,000 Options at a strike price of 20 RON (i.e. that is, under 20 RON the value of options is nil);
   - up to 500,000 Options at a strike price of 30 RON; and
   - up to 600,000 Options at a strike price of 40 RON.

The Board of Directors on 7 December 2018 decided that in the nearest future a detailed document will be drafted which will define the mechanism of implementation of these management incentive scheme. Up to 31 December 2019 such document was not finalized nor signed.

As at 31 December 2018 the Company has not accounted for this management reward scheme in these consolidated financial statements, since the identity of the individuals that will receive the options and the number of options that will be awarded to each employee have not been determined nor discussed until the date of these financial statements. Also, while directors and top management were aware of the new plan, they did not know if it is applicable to them because the identity of the individuals that would receive options was not yet known, neither formally (by notification) nor implicitly (through discussions). This conclusion was based on the fact that the plan was directed towards some (rather than all) employees that are considered top management and some (rather than all) of the directors.

The Group intended to complete the management reward scheme and has moved forward with the plan:

- 200,000 shares were bought back by the Company during 2019;
- there were drafted contracts to be signed with each manager;
- there was prepared a detailed share grant scheme with the number of shares to be allocated to each manager and per each vesting period.

The Company signed new employment agreements with 4 top managers in 2019. In the agreements have been included a clause related to management reward scheme, where is stated the number of shares allocated to them and the vesting periods. Therefore the Company accounted for equity-settled share-based payment expenses in 2019 for them, however since for remaining employees the situation remains unclear, the Company has not accounted for any impact in 2019.

Note 27. Financial instruments

Financial instruments by category

	31 December 2019	31 December 2018
Financial assets measured at amortised cost		
Cash and cash equivalents	12,573,775	21,803,241
Trade receivables	45,492,280	45,838,331
	58,066,055	**67,641,572**
Financial assets measured at FVTPL		
Equity instruments at fair value through profit or loss	12,766,688	12,484,972
Total financial assets	**70,832,743**	**80,126,544**
Financial liabilities measured at amortised cost		
Trade and other payables	38,703,389	37,573,180
Borrowings and lease liabilities	110,778,079	97,804,752
Total financial liabilities	**149,481,468**	**135,377,932**

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. `

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2019	31 December 2018
Cash and cash equivalents	12,573,775	21,803,241
Trade receivables	45,492,280	45,838,331
Total	**58,066,055**	**67,641,572**

Trade receivables and loan receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables based on this assessment, and establishes a maximum payment period in its agreements with customers. The creditworthiness assessment is updated each time by the Group when there is a significant delay in the payment period compared to the maximum payment period agreed contractually or when the Group extends or amends the agreements with its customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer geographic location, aging profile, maturity and existence of previous financial difficulties. The Group's most significant 10 customers account for RON 24,106,752 or 53% of the trade receivables' carrying amount as at 31 December 2019 (2018: RON 27,531,860 or 66% of the trade receivables' carrying amount).

Revenues from transactions with a single external customer of 10% or more of the Group's revenues were as follows:

	2019	2018
Revenues from transactions with a customer from Republic of Moldova	26,026,056	21,231,700
Revenues from transactions with a customer from Romania	27,103,785	26,446,235
Total	**53,129,841**	**47,677,935**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows.

	31 December 2019	31 December 2018
Republic of Moldova	8,523,799	13,817,733
Romania	22,145,316	15,271,910
Other European Union countries	8,308,551	11,729,752
Other	3,030,298	1,455,877
Belarus	2,000,271	2,230,646
Ukraine	1,484,045	1,332,413
Total	**45,492,280**	**45,838,331**

Impairment losses

The Group uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a "delinquency" method.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Weighted-average loss rate	Gross	Impairment	Net
Not due	1.85%	31,056,554	573,521	30,483,033
Overdue less than 1 month	3.39%	5,265,953	178,425	5,087,528
Overdue 1 to 3 months	1.51%	6,062,539	91,543	5,970,996
Overdue 3 to 6 months	0.31%	2,673,762	8,360	2,665,402
Overdue 6 months to 1 year	31.64%	975,676	308,738	666,938
Overdue more than 1 year	48.94%	1,211,077	592,694	618,383
Total		**47,245,561**	**1,753,281**	**45,492,280**

Loss rates are based on actual credit loss experience over the past four years.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Weighted-average loss rate	Gross	Impairment	Net
Not due	0.93%	20,127,140	186,995	19,940,145
Overdue less than 1 month	1.92%	11,128,387	213,754	10,914,633
Overdue 1 to 3 months	0.67%	11,789,117	78,429	11,710,688
Overdue 3 to 6 months	6.67%	2,491,976	166,211	2,325,765
Overdue 6 months to 1 year	21.28%	904,734	192,526	712,208
Overdue more than 1 year	66.35%	698,113	463,221	234,892
Total		**47,139,467**	**1,301,136**	**45,838,331**

Loss rates are based on actual credit loss experience over the past four years.

The movement in the allowance for impairment with respect to trade receivables and loan receivables during the year was as follows:

	Trade receivables	Loans receivable	Total
Balance 31 December 2017	**2,050,657**	**21,047**	**2,071,704**
(Reversal of) impairment loss	(67,539)	(22,303)	(89,842)
Amounts written-off	(674,802)	-	(674,802)
Effect of movement in exchange rates	(7,180)	1,256	(5,924)
Balance 31 December 2018	**1,301,136**	**-**	**1,301,136**
(Reversal of) impairment loss	369,706	-	369,706
Effect of movement in exchange rates	82,439	-	82,439
Balance 31 December 2019	**1,753,281**	**-**	**1,753,281**

The impairment allowance of receivables are used to record impairment losses, unless the Group believes that no recovery of the amount is possible, in which case the allowances for amounts considered irrecoverable are written off against the financial asset.

Cash and cash equivalents

The Group held cash and cash equivalents of RON 12,551,146 at 31 December 2019 (2018: RON 21,803,241), which represent its maximum credit exposure on these assets. 99% of cash and cash equivalents as at 31 December 2019 (2018: 99%) are held with banks (with no available credit rating) from which the Group has secured loans.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade receivables together with expected cash outflows on borrowings and lease liabilities and trade and other payables. The shortages in working capital and cash outflows for investment activities are financed through new credit facilities made available by the banks.

The following were the estimated cash outflows for trade and other payables and contractual maturities of borrowings and lease liabilities, including estimated interest payments and excluding the impact of netting agreements:

Monetary liabilities	Carrying Amount	Total Contractual Cash Flow	Less than 1 month	Between 1 – 12 months	Between 1-2 years	Between 2-5 years
31 December 2019						
Trade and other payables	38,703,389	38,703,389	4,022,595	34,680,794	-	-
Borrowings and lease liabilities	110,778,079	122,202,113	3,544,339	47,890,467	54,446,756	16,320,551
Total	**149,481,468**	**160,905,502**	**7,566,934**	**82,571,261**	**54,446,756**	**16,320,551**
31 December 2018						
Trade and other payables	37,573,180	37,573,180	1,905,504	35,667,676	-	-
Borrowings and lease liabilities	97,804,752	111,530,051	3,128,060	35,270,488	32,214,021	40,917,482
Total	**135,377,932**	**149,103,231**	**5,033,564**	**70,938,164**	**32,214,021**	**40,917,482**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group does not use derivatives (interest rate or foreign exchange swaps) as hedging instruments under a fair value hedge accounting model. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The following significant exchange rates applied during the year.

	31 December 2019	Average 2019	31 December 2018	Average 2018
MDL1	0.2481	0.2413	0.2389	0.2346
EUR 1	4.7793	4.7452	4.6639	4.6535
USD 1	4.2608	4.2379	4.0736	3.9416

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are EUR, USD, MDL and RON.

The summary of quantitative data about the Group's monetary assets and monetary liabilities in original currency provided to management of the Group based on its risk management policy was as follows:

	EUR	USD	MDL	RON	Total
31 December 2019					
Monetary assets					
Cash and cash equivalents	4,024,842	1,306,097	3,011,989	4,230,847	12,573,775
Trade receivables	7,764,315	7,487,700	8,467,620	21,772,645	45,492,280
Total monetary assets	**11,789,157**	**8,793,797**	**11,479,609**	**26,003,492**	**58,066,055**
Monetary liabilities					
Borrowings and lease liabilities	56,165,883	4,993,342	28,719,566	20,899,288	110,778,079
Trade and other payables	3,415,772	2,335,251	26,330,853	6,621,513	38,703,389
Total monetary liabilities	**59,581,655**	**7,328,593**	**55,050,419**	**27,520,801**	**149,481,468**
Net statement of financial position exposure	**(47,792,498)**	**1,465,204**	**(43,570,810)**	**(1,517,309)**	**(91,415,413)**
31 December 2018					
Monetary assets					
Cash and cash equivalents	2,897,922	3,991,984	2,485,344	12,427,991	21,803,241
Trade receivables	8,698,488	5,407,631	13,759,868	17,972,344	45,838,331
Total monetary assets	**11,596,410**	**9,399,615**	**16,245,212**	**30,400,335**	**67,641,572**
Monetary liabilities					
Borrowings and lease liabilities	57,356,193	8,794,157	20,245,947	11,408,455	97,804,752
Trade and other payables	4,380,122	2,532,834	21,618,702	9,041,522	37,573,180
Total monetary liabilities	**61,736,315**	**11,326,991**	**41,864,649**	**20,449,977**	**135,377,932**
Net statement of financial position exposure	**(50,139,905)**	**(1,927,376)**	**(25,619,437)**	**9,950,358**	**(67,736,360)**

Exposure to currency risk

For monetary assets and liabilities, the Group is exposed to currency risk only for balances denominated in EUR and USD.

Sensitivity analysis

A 10% strengthening of the EUR against RON and MDL would have decreased the profit before tax by RON 4,779,250 for the year 2019 (2018: RON 5,013,991). A 10% strengthening of the USD against RON and MDL would have increased the profit before tax by RON 146,520 for the year 2019 (2018: decreased the profit by RON 192,738). This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been carried out on the same basis for the years 2019 and 2018, although the reasonably possible foreign exchange rate variances were different.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	31 December 2019	31 December 2018
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(8,280,021)	(122,216)
Total fixed rate instruments	**(8,280,021)**	**(122,216)**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(102,498,058)	(97,682,536)
Total variable rate instruments	**(102,498,058)**	**(97,682,536)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not use derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase/ decrease of 100 basis points in interest rates at the reporting date would have decreased/ increased the profit before tax by RON 1,024,981 for the year 2019 (2018: RON 976,825). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Capital management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

The gearing ratios as at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019	31 December 2018
Borrowings and lease liabilities (Note 15)	110,778,079	97,804,752
Less: Cash and cash equivalents (Note 13)	(12,573,775)	(21,803,241)
Net debt	98,204,304	76,001,511
Total equity	177,269,754	154,121,633
Total capital	275,474,058	230,123,144
Gearing ratio	**35.65%**	**33.03%**

The Group has borrowing agreements concluded with banks, which require that covenants have to be met in accordance with provisions of those agreements. The Group's management assesses on a yearly basis whether these covenants have been met and that ratios stated by the banks are within the required threshold.

According to laws and regulations in Romania, the net assets of the Group's subsidiary domiciled in this country (Crama Ceptura SRL), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than half of the subscribed share capital. Crama Ceptura SRL complied with this capital requirement based on the unaudited statutory financial statements.

According to laws and regulations in the Republic of Moldova, the net assets of the Group's subsidiaries domiciled in this country (Vinaria Bostavan SRL, Vinaria Purcari SRL, Vinaria Bardar SA), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than the subscribed share capital. The Group's subsidiaries complied with this capital requirement based on the unaudited statutory financial statements, except for Vinaria Bostavan SRL, therefore an extraordinary general meeting of shareholders should be organized to decide on the measures to be implemented as required by the legislation in force.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are presented in the below table. The table does not include the financial assets and liabilities which are not measured at fair value, if the carrying amount approximates the fair value.

	Carrying amount		Fair value	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Financial liabilities				
Floating rate borrowings and lease liabilities	102,498,058	97,682,536	102,588,632	97,525,113
Fixed rate borrowings and lease liabilities	8,280,021	122,216	8,287,038	122,216
Total	**110,778,079**	**97,804,752**	**110,875,670**	**97,647,329**

Financial assets measured at fair value are disclosed in Note 9 to the consolidated financial statements.

Interest bearing borrowings and lease liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For lease liabilities the market rate of interest is determined by reference to similar lease agreements.

The fair value measurement of the above assets and liabilities for disclosure purposes has been categorized as a Level 3 fair value (see Note 4 b)).

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are based on market interest rates at the reporting date, and were as follows:

	31 December 2019	**31 December 2018**
Borrowings and lease liabilities denominated in MDL	8.50%-10.27%	8.83%-9.32%
Borrowings and lease liabilities denominated in RON	1.93%-3.01%	1.93%-3.01%
Borrowings and lease liabilities denominated in EUR and USD	1.93%-5.25%	1.93%-5.17%

Note 28. Non-controlling interests

The following table summarized the information relating to each of the Group's subsidiaries that has non-controlling interests, before any intra-group eliminations.

31 December 2019	Vinaria Bostavan	Vinaria Bardar	Intragroup eliminations	Total
NCI percentage	**0.46%**	**43.95%**		
Non-current assets	55,868,090	10,394,986		
Current assets	68,021,191	44,046,250		
Non-current liabilities	(35,688,694)	(4,364,217)		
Current liabilities	(45,141,426)	(12,339,896)		
Net assets	**43,059,161**	**37,737,123**		
Carrying amount of NCI	**197,168**	**16,584,633**	**(47,533)**	**16,734,268**
Revenue	66,085,634	28,616,286		
Profit	5,465,269	9,418,085		
OCI	2,467,788	1,312,253		
Total comprehensive income	**7,933,057**	**10,730,338**		
Profit allocated to NCI	**25,025**	**4,139,040**	**3,890**	**4,167,955**
OCI allocated to NCI	**11,300**	**576,706**	**1**	**588,007**

31 December 2018	Vinaria Bostavan	Vinaria Bardar	Intragroup eliminations	Total
NCI percentage	**0.46%**	**43.95%**		
Non-current assets	40,153,196	7,620,984		
Current assets	64,069,620	40,872,825		
Non-current liabilities	(30,429,843)	(6,199,911)		
Current liabilities	(37,851,591)	(11,059,498)		
Net assets	**35,941,382**	**31,234,400**		
Carrying amount of NCI	**164,576**	**13,726,829**	**(49,183)**	**13,842,222**
Revenue	64,820,960	23,809,155		
Profit	2,887,450	8,567,885		
OCI	2,245,468	1,141,362		
Total comprehensive income	**5,132,918**	**9,709,247**		
Profit allocated to NCI	**13,222**	**3,765,396**	**(11,588)**	**3,767,030**
OCI allocated to NCI	**10,282**	**501,604**	**(58,878)**	**453,008**

Note 29. Acquisition of non-controlling interests

During the year ended 31 December 2018 the Group increased its shareholding in the subsidiary Vinaria Bardar SA from 54.61% to 56.05% by acquiring shares from non-controlling interests of the subsidiary.

The following table summarizes the effect of changes in the non-controlling interests acquired:

	2019	2018
Carrying amount of non-controlling interests acquired	-	483,298
Purchase price	-	39,974
Increase in equity attributable to owners of the Company	**-**	**443,324**

Note 30. Related parties

The Group's related parties for the years 2019 and 2018 were the following:

Name of the entity	Relationship with the Company
Key management personnel	Members of board of directors of the Company, CEOs, CFO and Sales Director of Group entities
Victor Bostan	CEO, Member of the Board of Directors, significant shareholder through Amboselt Universal Inc.
Agro Sud Invest SRL	Entity controlled by a key member of management through a significant shareholding
BSC Agro SRL	Entity controlled by a key member of management through a significant shareholding
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Ecosmart Union SA	Associate
IM Glass Container Company SA	Associate (related party from 1 April 2017 to 16 July 2018)
Glass Container Company-SP SRL	Subsidiary of IM Glass Container Company SA (related party from 1 April 2017 to 16 July 2018)
BC Moldova Agroindbank SA	Common member in the board of directors of the Company and of the Bank (starting 4 April 2019)

Key management personnel and other related party transactions

	Transaction value for the year ended 31 December		Outstanding balance - receivable/(payable) as at 31 December	
	2019	**2018**	**2019**	**2018**
Victor Bostan				
- Salaries and bonuses for performance	(969,956)	(888,617)	(258,842)	(545,931)
IM Glass Container Company SA				
- Acquisition of inventories	-	(2,760,866)	-	-
- Sales of merchandise	-	64.206	-	-
Glass Container Company-SP SRL				
- Acquisition of inventories	-	(607,070)	-	-
Ecosmart Union SA				
- Other expenses	(1,818,968)	(1,457,583)	-	-
- Trade payables	-	-	(275,441)	(178,794)
Victoriavin SRL				
- Recognition of right-of-use assets	3,952,874	-	-	-
- Lease liabilities	-	-	(4,076,628)	
- Other receivables	-	-	14,693	-
- (Provision for) / reversal of impairment loss of loans receivable	-	21,695	-	-
- Trade payables	-	-	(25,710)	(103,260)
- Operating leases	(46,301)	(396,003)	-	-
- Interest income	-	58,292	-	-
- Acquisition of inventories	(9,630)	(6,076)	-	-
BC Moldova Agroindbank SA				
- Sales of merchandise	31,376	-	-	-
- Interest expense	(3,203,997)	-	-	-
- Bank charges	(219,093)	-	-	-
- Secured bank loans	-	-	(71,924,540)	-
- Cash and cash equivalents	-	-	6,043,948	-
Agro Sud Invest SRL				
- Agricultural services	(3,793,775)	(3,751,022)	-	-
- Trade payables	-	-	(294,341)	(283,264)
BSC Agro SRL				
- Agricultural services	(5,575,080)	(5,389,848)	-	-
- Trade payables	-	-	(767,357)	(329,374)
Key management personnel				
- Salaries and bonuses for performance	(5,359,895)	(4,098,019)	(1,356,038)	(336,507)
- Equity-settled share-based payment	(1,946,882)	-	(1,946,882)	-

Note 31. Commitments and contingencies

(i) Capital commitments

The Group has no commitments for purchase of property, plant and equipment and intangible assets as at 31 December 2019 and 31 December 2018.

(ii) Litigations and claims

The Group is involved in several litigation or disputes. The Group does not present information and did not set-up provisions for these items, as the management assessed as remote the probability of outflow of economic benefits, because it considers unlikely unfavourable outcome of the litigations.

(iii) Fiscal environment

The tax laws and regulations in Romania, Moldova and Cyprus may be subject to change, and there may be changes in interpretation and enforcement of tax law. The tax systems in these countries can be characterized by numerous taxes and frequently changing legislation, open to interpretation and in some cases are conflicting. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for the Group to predict, and the Group may therefore be unprepared for these changes. As a result, the Group may face increases in taxes payable if tax laws or regulations are modified by the competent authorities in an adverse manner, or are interpreted in a way that is different from Group’s interpretation, which could have a material adverse effect on the Group’s financial statements, as influenced by additional tax liabilities, including fines, penalties and charged interest.

Tax audits consists of detailed verifications of the accounting records of taxpayers. These audits sometimes take place months, or even years, after the date liabilities are established. Tax returns may be subject to revision and corrections by tax authorities, generally for a five-year period after they are completed in Romania, a four-year period in Republic of Moldova and six years in Cyprus. Consequently, companies may be found liable for significant taxes and fines.

The Group regularly makes assessment of tax risks and establishes tax provisions, which represent management’s best estimate, also based on consultations with relevant tax advisors. Management believes that it has adequately provided for tax risks and liabilities. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Note 32. EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”) is calculated as profit / (loss) for the year (as presented in the consolidated statement of profit or loss and other comprehensive income), and adding back the income tax, net finance result and total amortization of intangible assets and total depreciation of property plant and equipment (as presented in Notes 7 and 10).

The management of the Group has presented EBITDA as they monitor this performance measure at a consolidated level, and they believe this measure is relevant to an understanding of the Group’s financial performance.

EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. Consequently, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

EBITDA for the years ended 31 December 2019 and 31 December 2018 was as follows:

	Indicator	Note	2019	2018
Adjusted EBIDTA	**Adjusted EBIDTA**		**65,360,842**	**55,331,269**
Non-recurring general and administrative expenses related to IPO			-	(918,424)
EBITDA	**EBITDA**		**65,360,842**	**54,412,845**
Less: depreciation for the year		**7**	(9,455,652)	(6,565,039)
Less: amortization for the year		**10**	(112,754)	(186,414)
Result from operating activities	**EBIT**		**55,792,436**	**47,661,392**
Less: net finance income/ (costs)		**24**	(6,854,103)	1,046,750
Earnings Before Income Taxes	**EBT**		**48,938,333**	**48,708,142**
Less: tax expense		**25**	(8,474,858)	(6,975,212)
Profit for the year			**40,463,475**	**41,732,930**

Note 33. Events after the reporting period

There were no further material events after the reporting period except:

On 11 March 2020 the World Health Organization declared the Coronavirus outbreak a pandemic, and both the Romanian and Moldovan governments declared a state of emergency, which is in force at the time of issue of these consolidated financial statements. Responding to the serious threat COVID – 19 presents to public health and its potential, serious disruption to economic activity, the Romanian and Moldovan government authorities have adopted strict measures to contain the pandemic, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments. In particular, airlines suspended international transport of people to and from certain countries particularly affected by the COVID-19 outbreaks (currently Spain and Italy), schools, universities, restaurants, cinemas, theaters and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Many businesses in Romania and Moldova have instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in countries where the Group is operating, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors of Romania and Moldova, but also in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

The Group revenues are likely to be adversely affected by the outbreak of COVID19. We cannot estimate the magnitude of this impact at the moment. The Group expects a significant drop in HoReCa sales (HoReCa channel accounts for <15% of Group's sales) as result of the shutdown. The Duty Free channel (accounting for circa 3% of sales) is expected to be significantly affected too. The Group estimates a lesser impact in the remaining off trade segments, yet the ultimate performance will depend on the duration of the lockdowns across the Group's markets as well as broader macroeconomic factors, including consumer sentiment and currency fluctuations. Group's sales, on an aggregate level in 1Q2020 have still demonstrated year on year growth, yet we cannot estimate with reliable accuracy the impact on our revenues in the subsequent quarters.

Based on the best publicly available information at the date these financial statements were authorized for issue, the Company management considered a number of severe but plausible scenarios with respect to the potential development of the pandemic and its potential impact on the entity as well as the economic environment in which the entity operates, including the measures already taken by the Romanian and Moldovan governments and governments in other countries where the entity's major business partners and customers are located.

As at 31 December 2019, the Company's net current assets amounted to RON 47 million (net current assets adjusted with long-term inventories amounted to RON 97 million) and the available unused lines of credit amounted to over RON 16 million. The Company's capital expenditure within the following 12 months have been reduced with approximately RON 5 million (from RON 22 million to RON 17 million) and relate to unavoidable replacements of manufacturing equipment or finalization of production premises which are in the final stage of construction. Also, the Company decided not to pay dividends from the profit of year 2019, retaining the option to revert to this topic upon more clarity is obtained on the evolution of COVID-19. The stress-tests run by the Group, assuming various degrees of operational headwinds, used revenue drop scenarios vs. 2019 of -6% to -17%. Under all these scenarios, the Group maintained a comfortable cash-flow position and an EBITDA and Net Income Margin ranging from 25-28% and 15-18%, respectively, assuming the effects of the preliminary cost-saving program put in place are enacted in full.

The Company Management considered the following operating risks that may adversely affect the Company as a result of COVID–19:

- Unavailability of staff for extended period of time;
- Interruptions in transportation of goods that would disrupt distribution and supply chain;
- Prolonged recession in the Romanian and Moldovan economies that would significantly reduce the purchasing power of consumers resulting in a reduction of Group's total sales;
- Potential delays in collection from customers, that would increase the average account receivables turnover from 100 days to 150 days.

In order to mitigate the risks resulting from the potential adverse scenarios, the Company Management began implementing a number of measures, which notably include:

- implementation of work from home program on a rotational basis for a significant group of administrative employees as well as employees in sales and procurement departments;
- employees in production department have been trained to adhere to very strict precautionary standards including social distancing;
- arrangements with alternative transportation companies to ensure uninterrupted distribution and supply chain;
- adjustment to the scale of the Company's operations to respond to the possible decrease in demand for the premium products offered by the entity;
- negotiations with banks to ensure continuous financing.

On the basis of the above, the Board of Directors of the Group and of the Company arrived to the view that the Group and the Company will have sufficient resources to continue operating as going concern for a period of at least 12 months from the reporting date of this Annual Report. The Board of Directors concluded that materialization, in 2020, of the range of potential outcomes considered does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue operating as a going concern.

These consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 3 April 2020.