



Purcari Wineries Public Company Limited

PRELIMINARY UNAUDITED CONSOLIDATED
FINANCIAL INFORMATION

For the year ended 31 December 2020

Purcari Wineries Public Company Limited

Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

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Purcari Wineries Public Company Limited

Board of Directors and other officers

all amounts are in RON, unless stated otherwise

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 29 April 2020	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 29 April 2020	Non-executive, Non-independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 29 April 2020	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non-independent Director
Eugen Comendant	Appointed by the AGM on 29 April 2020	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 29 April 2020

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

Purcari Wineries Public Company Limited

Consolidated Statement of Financial Position as at 31 December 2020

all amounts are in RON, unless stated otherwise

	Note	31 December 2020	31 December 2019
Assets			
Property, plant and equipment	7	142,221,111	141,488,777
Intangible assets	10	1,186,692	1,186,568
Non-current receivables		3,009,873	-
Equity-accounted investees	8	1,015,812	1,298,680
Equity instruments at fair value through profit or loss	9	-	12,766,688
Inventories	12	45,360,026	49,663,983
Other non-current assets		-	50,933
Non-current assets		192,793,514	206,455,629
Inventories	12	83,202,201	75,264,697
Trade and other receivables	11	51,681,768	53,887,343
Cash and cash equivalents	13	50,752,668	12,573,775
Income tax assets		362,406	236,000
Prepayments		3,920,519	5,652,967
Other current assets		166,252	108,691
Current assets		190,085,814	147,723,473
Total assets		382,879,328	354,179,102
Equity			
Share capital	14	728,279	728,279
Share premium	14	82,533,921	82,533,921
Treasury shares reserve	14	(4,610,412)	(4,573,126)
Other reserves	14	2,962,598	1,946,882
Translation reserve	14	3,293,387	15,160,426
Retained earnings		122,293,636	64,739,104
Equity attributable to owners of the Company		207,201,409	160,535,486
Non-controlling interests	27	16,306,361	16,734,268
Total equity		223,507,770	177,269,754
Liabilities			
Borrowings and lease liabilities	15	58,796,505	65,565,824
Deferred income	16	3,922,919	3,477,902
Deferred tax liability	25	6,937,819	7,601,643
Non-current liabilities		69,657,243	76,645,369
Borrowings and lease liabilities	15	37,935,357	45,212,255
Deferred income	16	614,664	561,616
Income tax liabilities		409,437	1,970,066
Employee benefits	26	3,171,019	3,024,711
Trade and other payables	17	40,025,536	42,700,446
Provisions	23	7,558,302	6,794,885
Current liabilities		89,714,315	100,263,979
Total liabilities		159,371,558	176,909,348
Total equity and liabilities		382,879,328	354,179,102

Victor Bostan

*Chief Executive Officer (CEO),
Member of the Board of Directors*

Victor Arapan

Chief Financial Officer (CFO)

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company LimitedConsolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020
all amounts are in RON, unless stated otherwise

	Note	2020	2019
Revenue	18	203,364,870	199,099,390
Cost of sales	19	(104,974,885)	(100,153,415)
Gross profit		98,389,985	98,945,975
Other operating income	22	1,927,191	1,035,439
Marketing and sales expenses	20	(22,548,926)	(19,597,134)
General and administrative expenses	21	(24,039,298)	(23,533,214)
Impairment loss on trade and loan receivables, net		(374,871)	(369,706)
Other operating expenses	23	(5,899,972)	(1,688,645)
Profit from operating activities		47,454,109	54,792,715
Finance income	24	32,376,011	-
Finance costs	24	(8,332,544)	(6,854,103)
Net finance (costs) / income	24	24,043,467	(6,854,103)
Share of profit of equity-accounted investees, net of tax	8	264,810	999,721
Profit before tax		71,762,386	48,938,333
Income tax expense	25	(11,316,735)	(8,474,858)
Profit for the year		60,445,651	40,463,475
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences		(13,106,956)	6,089,567
Other comprehensive income for the year		(13,106,956)	6,089,567
Total comprehensive income for the year		47,338,695	46,553,042
Profit attributable to:			
Owners of the Company		57,554,533	36,295,520
Non-controlling interests	27	2,891,118	4,167,955
		60,445,651	40,463,475
Total comprehensive income attributable to:			
Owners of the Company		45,687,494	41,797,080
Non-controlling interests	27	1,651,201	4,755,962
		47,338,695	46,553,042
Earnings per share, RON			
Basic and diluted earnings per share	14	2.90	1.82

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

	Note	2020	2019
Cash flows from operating activities			
Profit for the year		60,445,651	40,463,475
<i>Adjustments for:</i>			
Depreciation and amortization	7,10	12,294,511	9,568,406
Equity-settled share-based payment transactions	26	3,614,628	1,946,882
(Gain)/loss on disposal of property, plant & equipment & intangible assets	23	(193,934)	382,483
Impairment of property, plant and equipment, net	7	(80,598)	(80,160)
(Reversal of) impairment loss on inventories		1,798,474	-
Impairment of trade receivables, net		374,871	369,706
Release of deferred income	22	(510,031)	(327,865)
Gains on write-off of trade and other payables	22	(20,978)	(14,248)
Share of profit of equity-accounted investee, net of tax	8	(264,810)	(999,721)
Adjustment to fair value of biological assets	23	4,499,319	129,275
Change in provisions, net	23	1,320,016	979,154
Income tax expense	25	11,316,735	8,474,858
Net finance (income) /costs	24	(24,043,467)	6,854,103
Operating profit before working capital changes		70,550,387	67,746,348
<i>Changes in working capital:</i>			
Inventories		(12,490,084)	(10,960,228)
Trade and other receivables		(2,362,338)	6,051,470
Prepayments		1,556,431	(1,967,287)
Other assets		(12,624)	(15,533)
Employee benefits		32,394	849,005
Trade and other payables		(3,101,040)	3,149,231
Deferred income		1,325,652	1,672,656
Cash generated from operating activities		55,498,778	66,525,662
Income tax paid		(11,266,059)	(7,784,320)
Interest paid	15	(4,232,084)	(5,222,767)
Net cash generated from operating activities		40,000,635	53,518,575
Cash flows from investing activities			
Payments for acquisition of intangible assets	10	(766,649)	(560,187)
Payments for acquisition of property, plant and equipment		(24,523,728)	(42,796,379)
Dividends received		540,000	-
Proceeds from sale of equity instruments		37,134,233	-
Proceeds from sale of property, plant and equipment		2,874,503	2,164,314
Net cash used in investing activities		15,258,359	(41,192,252)
Cash flows from financing activities			
Receipt of borrowings	15	43,310,071	53,617,902
Repayment of borrowings and lease liabilities	15	(55,507,861)	(51,057,365)
Acquisition of treasury shares	14	(2,636,198)	(4,573,126)
Dividends paid		(2,031,124)	(20,028,056)
Net cash generated from/ (used in) financing activities		(16,865,112)	(22,040,645)
Net increase/ (decrease) in cash and cash equivalents		38,393,882	(9,714,322)
Cash and cash equivalents at 1 January		12,573,775	21,803,241
Effect of movements in exchange rates on cash held		(214,989)	484,856
Cash and cash equivalents at 31 December	13	50,752,668	12,573,775

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Other reserves	Translation reserve	Retained earnings (accumulated losses)			
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 / 1 January 2020	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
Total comprehensive income									
Profit for the year	-	-	-	-	-	57,554,533	57,554,533	2,891,118	60,445,651
Foreign currency translation differences	-	-	-	-	(11,867,038)	(1)	(11,867,039)	(1,239,917)	(13,106,956)
Total comprehensive income for the year	-	-	-	-	(11,867,038)	57,554,532	45,687,494	1,651,201	47,338,695
Transactions with owners of the Company									
Treasury shares acquired (Note 14)	-	-	(2,636,198)	-	-	-	(2,636,198)	-	(2,636,198)
Shares vested to employees	-	-	2,598,912	(2,598,912)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	(37,286)	(2,598,912)	-	-	(2,636,198)	-	(2,636,198)
Other changes in equity									
Equity-settled share-based payments (Note 14)	-	-	-	3,614,628	-	-	3,614,628	-	3,614,628
Dividends to non-controlling interests	-	-	-	-	-	-	-	(2,079,108)	(2,079,108)
Total other changes in equity	-	-	-	3,614,628	-	-	3,614,628	(2,079,108)	1,535,520
Balance at 31 December 2020	728,279	82,533,921	(4,610,412)	2,962,598	3,293,388	122,293,636	207,201,410	16,306,361	223,507,771

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2020
all amounts are in RON, unless stated otherwise

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 2020, which consists of 20,000,000 ordinary shares with the nominal value of 0.01 EUR each (2019: 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:

	Country of incorporation	Ownership interest	
		31 December 2020	31 December 2019
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 2020 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. The nominal ownership interest of the Group in Vinaria Bardar SA is 53.91% as at 31 December 2020 (2019: 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 2020 (2019: 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

Purcari Wineries Public Company Limited

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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 2020 (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. 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;

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2020
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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 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) Basis of consolidation

These 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 2020.

(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.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2020
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(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.

b) 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.

c) 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.

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all amounts are in RON, unless stated otherwise

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.

d) 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.

e) 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.

f) 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

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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.

g) 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: amortized 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 amortized 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 recognized in profit or loss.

Financial assets at amortized cost

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

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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.

h) **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.

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(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.

i) 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.

j) 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.

k) 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.

<u>Nature and timing of satisfaction of performance obligations, including significant payment terms</u>	<u>Revenue recognition policies</u>
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. <u>Invoices are usually payable within 30-90 days from</u>	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. <u>For contracts that permit the customer to return an</u>

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	<p>the date of delivery and acceptance of goods by the customers.</p> <p>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.</p> <p>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.</p>	<p>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.</p>
Services	<p>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.</p>	<p>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.</p>

l) 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.

m) 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.

n) 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.

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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.

o) 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.

p) 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.

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(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.

q) 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 2020. Those which may be relevant to the Group are set out below. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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 IFRS 16 “Leases” – COVID-19-Related Rent Concessions (Effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted).

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(ii) *Standards and Interpretations not adopted by the EU*

- Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture” (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future).
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted).
- Amendment to IAS 16 “Property, Plant and Equipment Property, Plant and Equipment” – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022. Early application is permitted).
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Cost of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022. Early application is permitted).
- Annual Improvements to IFRS Standards 2018-2020 (Effective for annual periods beginning on or after 1 January 2022. Early application is permitted).

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Note 7. Property, plant and equipment

The movements of property, plant and equipment from 1 January 2019 to 31 December 2020 were as follows:

	<u>Assets under construction</u>	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Grape vines</u>	<u>Total</u>
Cost								
Balance at 1 January 2020	9,880,808	7,765,691	116,795,162	96,958,803	8,334,121	5,420,057	28,486,725	273,641,367
Additions	19,367,825	3,811	57,735	2,235,909	640,411	-	2,218,037	24,523,728
Transfers	(22,772,867)	-	7,126,241	13,576,085	938,064	722,838	409,639	-
Disposals	(702,781)	-	(747,018)	(2,145,629)	(277,642)	(7,936)	-	(3,881,006)
Effect of movement in exchange rates	(452,061)	(508,954)	(7,169,739)	(6,673,872)	(421,500)	(406,609)	(2,136,687)	(17,769,422)
Balance at 31 December 2020	5,320,924	7,260,548	116,062,381	103,951,296	9,213,454	5,728,350	28,977,714	276,514,667
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	-	328,150	67,907,450	50,294,492	3,132,570	4,240,770	6,249,158	132,152,590
Depreciation for the year	-	148,336	4,069,491	5,220,892	1,189,733	451,893	875,856	11,956,201
Impairment loss, net	-	-	(80,598)	-	-	-	-	(80,598)
Disposals	-	-	(391,982)	(333,767)	(279,026)	(7,936)	-	(1,012,711)
Effect of movement in exchange rates	-	(23,069)	(3,928,785)	(3,767,833)	(213,311)	(301,889)	(487,039)	(8,721,926)
Balance at 31 December 2020	-	453,417	67,575,576	51,413,784	3,829,966	4,382,838	6,637,975	134,293,556
Carrying amounts								
At 1 January 2020	9,880,808	7,437,541	48,887,712	46,664,311	5,201,551	1,179,287	22,237,567	141,488,777
At 31 December 2020	5,320,924	6,807,131	48,486,805	52,537,512	5,383,488	1,345,512	22,339,739	142,221,111

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	<u>Assets under construction</u>	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Grape vines</u>	<u>Total</u>
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

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As at 31 December 2020 property, plant and equipment includes right-of-use assets of RON 7,303,675 (2019: 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 2020	31 December 2019
Republic of Moldova	120,749,241	119,031,119
Romania	21,471,870	22,457,658
Total	142,221,111	141,488,777

Depreciation charge

Depreciation charge is included in the following financial statement captions:

	2020	2019
Cost of sales	5,671,355	4,673,641
General and administrative expenses	1,867,165	1,799,864
Inventories	4,181,460	2,835,168
Unallocated overheads	236,221	146,979
Total	11,956,201	9,455,652

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 2020 and 31 December 2019 interests in equity-accounted investees are as follows:

	31 December 2020	31 December 2019
Investment in Ecosmart Union SA	1,015,812	1,298,680
Total interests in equity-accounted investees	1,015,812	1,298,680

The share of profit of equity-accounted investees, net of tax, for the years ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Share of the profit of Ecosmart Union SA	264,810	999,721
Total share of the profit of equity-accounted investees, net of tax	264,810	999,721

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 2020 and 31 December 2019 is as follows:

	2020	2019
Balance at 1 January	1,298,680	298,959
Share of profit	264,810	999,721
Dividends received	(540,000)	-
Effect of movements in exchange rates	(7,678)	-
Balance at 31 December	1,015,812	1,298,680

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 9. Equity instruments at fair value through profit or loss**

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.

On 09.12.2020, Vinaria Purcari SRL has exited Glass Container Company (“GCC”) for a cash consideration of EUR 7,819,163 to Vetropack Group, a leading Swiss corporate group in the European glass packaging industry.

Vetropack Group has purchased Glass Container Group, consisting of GCC and Glass Container Prim (“GCP”).

Furthermore, Vinaria Purcari SRL, along with all other shareholders of Glass Container Group may or may not be entitled in 2021-2022 to additional performance payments which could effectively increase the value of the asset sold.

Due to Covid pandemic impact on local and global economies, as well as growing uncertainty of future economic recovery, the management cannot estimate the amount of any future earnout. As result, no variable consideration was recognized in these financial statements.

As well under the Sales Agreement, the selling shareholders, including Vinaria Purcari SRL, have provided Representations, Warranties, and Indemnities to Vetropack Group, thus, in case of adverse effects it might be liable for paying certain compensations.

The amount of EUR 595,070 has been deducted in retained from the initial purchase price as indemnity holdback, which will be reimbursed on the date falling three years after completion of the transactions.

The management estimates that no claims for indemnification will appear during this period and that full amount of indemnity holdback will be received.

The ownership interest in IM Glass Container Company SA were 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 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	12,766,688	12,484,972
Change in fair value (Note 24)	27,557,323	(235,191)
Sale of equity instruments	(40,192,324)	-
Effect of movements in exchange rates	(131,687)	516,907
Balance at 31 December	-	12,766,688

As of 31 December 2019, 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, as well as the significant unobservable inputs used. The valuation of the investment was performed by an independent authorised valuator.

Valuation technique	<i>Discounted cash flows:</i> 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	<ul style="list-style-type: none"> • Expected free cash flows for 2020-2023 RON 46,520,000; • Risk-adjusted discount rate 15.97%; • Terminal growth rate 5.0%.
Inter-relationship between key unobservable inputs and fair value measurement	<p>The estimated fair value would increase (decrease) by:</p> <ul style="list-style-type: none"> • RON 335,367 if the expected cash flows were higher (lower) by 1%; • RON 3,184,587 if the risk-adjusted discount rate was lower (higher) by 1pp; or • RON 2,371,780 if the terminal growth rate was higher (lower) by 1pp.

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 10. Intangible assets**

The movements in intangible assets from 1 January 2019 to 31 December 2020 are the following:

	<u>2020</u>	<u>2019</u>
Cost		
Balance at 1 January	1,759,433	1,946,704
Additions	766,649	560,187
Disposals	(315,048)	(923,634)
Effect of movement in exchange rates	(293,729)	176,176
Balance at 31 December	<u>1,917,305</u>	<u>1,759,433</u>
Amortization		
Balance at 1 January	572,865	873,128
Amortization for the year	338,314	112,754
Disposals	(155,644)	(452,117)
Effect of movement in exchange rates	(24,922)	39,100
Balance at 31 December	<u>730,613</u>	<u>572,865</u>
Carrying amounts		
At 1 January	<u>1,186,568</u>	<u>1,073,576</u>
At 31 December	<u>1,186,692</u>	<u>1,186,568</u>

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 2020 and 31 December 2019, trade and other receivables were as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial receivables		
Trade receivables	45,702,966	45,492,280
Total financial receivables	<u>45,702,966</u>	<u>45,492,280</u>
Non-financial receivables		
Other receivables due from related parties (Note 29)	-	14,693
Assigned receivable *	-	986,725
Other receivables	3,767,987	1,777,016
VAT receivable	1,980,636	4,584,212
Other taxes receivable	113,416	8,556
Excise receivable	116,763	1,023,861
Total non-financial receivables	<u>5,978,802</u>	<u>8,395,063</u>
Total trade and other receivables	<u>51,681,768</u>	<u>53,887,343</u>

(*) 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. During 2019 the Group collected in cash the amount of RON 4,777,000. In 2020 the balance was fully settled in cash.

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.

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 12. Inventories**

As at 31 December 2020 and 31 December 2019 inventories were as follows:

	31 December 2020	31 December 2019
Raw materials		
Distilled alcohol	27,900,267	24,750,271
Wine materials	4,254,289	3,958,526
Other raw materials	508,628	277,468
Total raw materials	32,663,184	28,986,265
Other materials		
Packaging materials	10,245,396	10,422,452
Other materials	3,550,839	3,193,176
Chemicals	3,105,005	1,434,547
Total other materials	16,901,240	15,050,175
Semi-finished production		
Wine in barrels	57,063,194	60,550,265
Divin in barrels	6,205,723	6,107,034
Brandy in barrels	132,306	-
Total semi-finished production	63,401,223	66,657,299
Bottled finished goods		
Wine	14,999,103	13,482,659
Divin	550,445	706,764
Other finished goods	29,907	23,549
Brandy	17,125	21,969
Total bottled finished goods	15,596,580	14,234,941
Total inventories	128,562,227	124,928,680

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 46,360,026 as at 31 December 2020 (2019: RON 49,663,983). These relate to wine in barrels RON 21,365,572 (2019: RON 30,398,652) and distilled alcohol and divin in barrels RON 23,994,455 (2019: RON 19,265,331).

Note 13. Cash and cash equivalents

As at 31 December 2020 and 31 December 2019 cash and cash equivalents were as follows:

	31 December 2020	31 December 2019
Bank accounts	50,617,035	12,551,146
Petty cash	135,633	22,629
Total cash and cash equivalents	50,752,668	12,573,775

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.

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 14. Equity attributable to owners of the Company**

	<u>2020</u>	<u>2019</u>
(in shares)		
On issue at 1 January	20,000,000	20,000,000
On issue at 31 December	<u>20,000,000</u>	<u>20,000,000</u>
Authorized – par value	<u>EUR 0.01</u>	<u>EUR 0.01</u>

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.

As of 31 December 2020 and 31 December 2019, the share premium amounts to RON 82,533,921.

As at 31 December 2020 the share capital structure and the ownership of registered shares was as follows:

	<u>Number of shares</u>	<u>% of ownership</u>
Amboselt Universal Inc.	4,006,172	20.0309%
Dealbeta Investments	1,586,377	7.9319%
Fiera Capital	1,531,467	7.6573%
East Capital	1,520,848	7.6042%
Conseq	1,293,961	6.4698%
Paval Holding	1,000,000	5.0000%
Others	9,061,175	45.3059%
Total	<u>20,000,000</u>	<u>100%</u>

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

	<u>Number of shares</u>	<u>% of ownership</u>
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	<u>20,000,000</u>	<u>100%</u>

Translation reserve

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

Treasury share reserve

In 2020 the Company repurchased 120,000 shares in amount RON 2,636,198 (2019: 200,000 shares in amount of RON 4,573,126) in order to implement the Company's shareholders meeting resolutions no. 3 of 14 June 2018, no. 5 of 25 April 2019 and no. 6 and no. 7 of 29 April 2020 in connection with the Management Incentive Program (see Note 26).

During 2020 the Company vested 128.352 shares to its employees with a total value of RON 2,785,238 (2019: nil).

Other reserves

In 2020 the Company accounted for equity-settled share-based payment in amount of RON 3,868,168 (2019: RON 1,946,882) in connection with the Management Incentive Program (see Note 26).

Dividends

During 2020 the Company declared and paid no dividends (2019: RON 0.95 per share).

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***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:

	<u>2020</u>	<u>2019</u>
Profit for the year, attributable to owners of the Company	57,554,533	36,295,520
Issued ordinary shares at 1 January	20,000,000	20,000,000
Effect of treasury shares held	(175,411)	(62,028)
Weighted-average number of ordinary shares outstanding at 31 December	19,824,589	19,937,972
Earnings per share – basic and diluted	2.90	1.82

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.

As at 31 December 2020 and 31 December 2019, borrowings and lease liabilities were as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Non-current liabilities		
Secured bank loans	52,344,283	58,193,596
Lease liabilities	6,452,222	7,372,228
Total non-current portion	58,796,505	65,565,824
Current liabilities		
Current portion of secured bank loans	36,859,268	44,304,457
Current portion of lease liabilities	1,076,089	907,798
Total current portion	37,935,357	45,212,255
Total borrowings and lease liabilities	96,731,859	110,778,079

The movements of borrowings and lease liabilities for the years ended 31 December 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	110,778,079	97,804,753
Recognition of right-of-use asset on initial application of IFRS 16	-	3,682,398
Adjusted balance at 1 January	110,778,079	101,487,151
Proceeds from borrowings	43,310,071	53,617,902
Repayment of borrowings and lease liabilities	(55,507,861)	(51,057,365)
Interest expense (Note 24)	4,679,498	5,804,027
Interest paid	(4,232,084)	(5,222,767)
Recognition of right-of-use asset during the year	6,662,639	4,164,474
Effect of movement in exchange rates	(8,958,480)	1,984,657
Balance at 31 December	96,731,862	110,778,079

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

Security

As at 31 December 2020 and 31 December 2019 the carrying amounts of assets that are subject to a registered debenture to secure bank loans were as follows:

	31 December 2020	31 December 2019
Property, plant and equipment	50,069,493	55,047,630
Trade and other receivables	30,612,584	-
Inventories	57,524,486	62,086,222
Intangible assets	530,498	570,106
Cash and cash equivalents	20,186,436	1,288,752
Total	158,923,497	118,992,710

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

Terms and debt repayment schedule

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2020		31 December 2019	
					Non-current	Current	Non-current	Current
Secured bank loan	BC Moldova Agroindbank SA (1)	MDL	7.65%	2022	-	1,071,294	-	-
Secured bank loan	BC Moldova Agroindbank SA (2)	MDL	7.65%	2021	-	1,543,585	-	-
Secured bank loan	BC Moldova Agroindbank SA (3)	EUR	3.40%	2020	-	-	-	1,707,856
Secured bank loan	BC Moldova Agroindbank SA (4)	MDL	7.65%	2020	-	2,306,229	-	6,558,537
Secured bank loan	BC Moldova Agroindbank SA (5)	MDL	7.65%	2020	-	-	-	2,327,318
Secured bank loan	BC Moldova Agroindbank SA (6)	EUR	3.40%	2020	-	-	-	2,577,752
Secured bank loan	BC Moldova Agroindbank SA (7)	MDL	7.65%	2021	-	4,734,447	5,114,406	-
Secured bank loan	BC Moldova Agroindbank SA (8)	EUR	3.40%	2021	-	1,838,854	1,775,124	1,678,586
Secured bank loan	BC Moldova Agroindbank SA (9)	EUR	3.40%	2021	-	930,077	1,274,996	913,241
Secured bank loan	BC Moldova Agroindbank SA (10)	EUR	3.40%	2021	-	-	2,258,727	4,838,981
Secured bank loan	BC Moldova Agroindbank SA (11)	MDL	7.65%	2020	-	-	-	1,835,363
Secured bank loan	BC Moldova Agroindbank SA (12)	EUR	3.40%	2022	1,484,517	-	1,454,438	-
Secured bank loan	BC Moldova Agroindbank SA (13)	MDL	7.65%	2022	1,502,233	2,149,181	3,925,710	256,034
Secured bank loan	BC Moldova Agroindbank SA (14)	MDL	7.65%	2021	-	243,363	238,433	938,041
Secured bank loan	BC Moldova Agroindbank SA (15)	EUR	3.40%	2020	-	-	-	1,015,723
Secured bank loan	BC Moldova Agroindbank SA (16)	EUR	3.40%	2020	-	-	-	2,238,664
Secured bank loan	BC Moldova Agroindbank SA (17)	EUR	3.40%	2022	-	3,609,528	-	-
Secured bank loan	BC Moldova Agroindbank SA (18)	EUR	3.40%	2021	-	5,298,637	6,148,919	-
Secured bank loan	BC Moldova Agroindbank SA (19)	MDL	7.65%	2023	2,428,531	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (20)	MDL	7.65%	2021	-	739,510	794,723	495,022
Secured bank loan	BC Moldova Agroindbank SA (21)	EUR	3.40%	2021	-	2,339,121	1,922,860	5,162,901
Secured bank loan	BC Moldova Agroindbank SA (22)	MDL	7.65%	2021	-	1,034,432	1,062,914	1,248,815
Secured bank loan	BC Moldova Agroindbank SA (23)	EUR	3.40%	2022	6,402,149	2,046,396	8,345,139	-
Secured bank loan	BC Moldova Agroindbank SA (24)	MDL	7.65%	2020	-	-	-	3,815,317
Secured bank loan	BC Moldova Agroindbank SA (25)	EUR	3.40%	2023	10,561,975	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (26)	MDL	7.65%	2025	180,548	186,419	-	-

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Notes to the Consolidated Financial Statements for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

Terms and debt repayment schedule (continued)

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2020		31 December 2019	
					Non-current	Current	Non-current	Current
Secured bank loan	BC Moldova Agroindbank SA (27)	MDL	7.65%	2021	-	2,336,689	-	-
Secured bank loan	BC Moldova Agroindbank SA (28)	EUR	3.40%	2025	10,771,267	-	-	-
Secured bank loan	Ministry of Finance of Moldova (1) (project financed by EIB)	EUR	3.73%	2020	-	-	-	476,865
Secured bank loan	Ministry of Finance of Moldova (2) (project financed by EIB)	EUR	3.73%	2021	-	834,372	817,466	817,490
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (1)	USD	4.45%	2026	3,525,298	440,702	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (2)	USD	4.50%	2022	939,308	2,721,310	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (3)	USD	4.75%	2021	-	-	1,337,915	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (4)	USD	4.75%	2025	747,439	213,554	1,023,849	227,488
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (5)	USD	4.50%	2020	-	-	-	863,908
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (6)	USD	4.75%	2026	1,646,247	241,569	1,440,037	100,143
Secured bank loan	UNICREDIT BANK SA (1)	RON	ROBOR 1M+1.30%	Undetermined	-	-	2,200,000	-
Secured bank loan	UNICREDIT BANK SA (4)	EUR	EURIBOR 1M+1.50%	Undetermined	8,989,661	-	8,975,617	-
Secured bank loan	UNICREDIT BANK SA (8)	EUR	EURIBOR 1M+1.50%	Undetermined	3,165,110	-	3,106,545	-
Secured bank loan	UNICREDIT BANK SA (2)	RON	ROBOR 1M+1.95%	2020	-	-	-	96,828
Secured bank loan	UNICREDIT BANK SA (3)	RON	ROBOR 1M+1.95%	2021	-	-	1,059,469	1,562,395
Secured bank loan	UNICREDIT BANK SA (7)	EUR	EURIBOR 1M+1.75%	2021	-	-	1,335,689	1,657,399
Secured bank loan	UNICREDIT BANK SA (5)	EUR	EURIBOR 1M+1.60%	2023	-	-	2,077,047	728,443
Secured bank loan	UNICREDIT BANK SA (6)	RON	ROBOR 1M+1.60%	2023	-	-	503,573	165,347
Lease liabilities		RON/ MDL/ EUR	3.90%-11.25%	2021-2047	6,452,222	1,076,088	7,372,228	907,798
Total borrowings and lease liabilities					58,796,505	37,935,357	65,565,824	45,212,255

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Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Loan covenants**

At 31 December 2020 and 31 December 2019 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 5 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

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance at 1 January 2020	3,974,409	3,806,642	-	629,113	8,410,164
Additions to right-of-use assets	-	27,346	-	581,082	608,428
Depreciation charge for the year	(145,552)	(1,033,186)	-	(343,022)	(1,521,760)
Effect of movements in exchange rates	(106,208)	(77,971)	-	(8,978)	(193,157)
Balance at 31 December 2020	3,722,649	2,722,831	-	858,195	7,303,675
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 552,191 for the year ended 31 December 2020 (2019: RON 520,037).

(iii) Amounts recognized in statement of cash flows

Total cash outflow for leases amounted to RON 1,726,045 for the year ended 31 December 2020 (2019: RON 868,500).

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 16. Deferred income**

The movement in deferred income for 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	4,039,518	2,592,198
Grants received	1,325,652	1,672,656
Release of deferred income	(510,031)	(327,865)
Effect of movements in exchange rates	(317,556)	102,529
Balance at 31 December	<u>4,537,583</u>	<u>4,039,518</u>

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 five years.

Note 17. Trade and other payables

As at 31 December 2020 and 31 December 2019 trade and other payables were as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Financial payables</i>		
Trade accounts payable	33,071,638	37,340,540
Trade payables due to related parties (Note 29)	1,552,520	1,362,849
Total financial payables	<u>34,624,158</u>	<u>38,703,389</u>
<i>Non-financial payables</i>		
Other tax liabilities	3,510,735	1,158,244
Advances received	142,276	899,685
Dividend payables	1,748,367	1,939,128
Total non-financial payables	<u>5,401,378</u>	<u>3,997,057</u>
Total trade and other payables	<u>40,025,536</u>	<u>42,700,446</u>

Note 18. Revenue

Revenues for the years ended 31 December 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Sales of finished goods		
Wine	175,760,536	165,640,157
Divin	21,522,101	28,473,327
Brandy	332,517	388,802
Total sales of finished goods	<u>197,615,154</u>	<u>194,502,286</u>
Sales of other goods		
Merchandise	2,686,087	719,595
Other	1,233,790	277,481
Wine materials	616,988	606,685
Total sales of other goods	<u>4,536,865</u>	<u>1,603,761</u>
Services		
Hotel and restaurant services	1,051,069	2,604,418
Agricultural services	161,782	388,925
Total services	<u>1,212,851</u>	<u>2,993,343</u>
Total revenue	<u>203,364,870</u>	<u>199,099,390</u>

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

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 than 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 2020 were as follows:

	Bostavan wine	Purcari wine	Crama Ceptura wine	Bardar divin and brandy	Total
Romania	2,347,427	66,084,011	31,223,513	1,876,674	101,531,625
Republic of Moldova	4,085,765	11,651,386	-	12,053,448	27,790,599
Poland	22,989,738	513,493	43,914	38,653	23,585,798
Czech Rep. and Slovakia	8,898,507	104,623	-	-	9,003,130
Asia	1,909,663	3,447,985	568,602	526,871	6,453,121
Belarus	892,950	265,145	-	6,394,786	7,552,881
Baltic countries	6,683,722	-	-	302,564	6,986,286
Ukraine	3,300,783	4,010,585	-	-	7,311,368
Other	2,317,948	3,353,484	1,067,292	661,622	7,400,346
Total	53,426,503	89,430,712	32,903,321	21,854,618	197,615,154

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	-	-	9,172,635
Asia	4,830,811	5,480,275	940,535	312,184	11,563,804
Belarus	707,775	136,353	-	7,251,504	8,095,631
Baltic countries	5,321,828	124,210	68,076	362,019	5,876,133
Ukraine	3,183,853	3,404,340	-	-	6,588,194
Other	2,418,490	1,710,142	913,397	632,779	5,674,808
Total	54,467,092	81,519,367	29,653,701	28,862,126	194,502,286

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 19. Cost of sales**

Cost of sales for the years ended 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Sales of finished goods		
Wine	90,341,837	82,879,623
Divin	9,317,710	12,757,596
Brandy	241,246	299,624
Total sales of finished goods	<u>99,900,793</u>	<u>95,936,843</u>
Sales of other goods		
Merchandise	2,283,174	611,656
Other	1,135,088	255,282
Wine materials	510,219	533,885
Total sales of other goods	<u>3,928,481</u>	<u>1,400,823</u>
Services		
Hotel and restaurant services	998,516	2,461,864
Agricultural services	147,095	353,885
Total services	<u>1,145,611</u>	<u>2,815,749</u>
Total cost of sales	<u><u>104,974,885</u></u>	<u><u>100,153,415</u></u>

The nature of the expenses that are part of the Group's cost of sales for the years ended 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Consumption of inventories	90,297,139	87,206,033
Employee benefits (Note 26)	8,097,340	7,298,024
Depreciation of property, plant and equipment (Note 7)	5,671,355	4,673,641
Other	909,051	975,717
Total cost of sales	<u>104,974,885</u>	<u>100,153,415</u>

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 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Marketing and sales	11,088,405	9,748,848
Transportation expenses	4,098,185	4,073,724
Employee benefits (Note 26)	6,596,025	4,977,858
Certification of production	596,477	532,043
Other expenses	169,834	264,661
Total marketing and sales expenses	<u>22,548,926</u>	<u>19,597,134</u>

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 21. General and administrative expenses**

General and administrative expenses for the years ended 31 December 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Employee benefits (Note 26)	14,594,666	14,577,550
Taxes and fees	2,510,492	1,564,709
Depreciation (Note 7)	1,867,165	1,799,866
Repairs and maintenance	320,116	321,699
Operating lease	364,475	372,732
Travel	113,951	712,984
Professional fees	1,974,063	1,735,454
Bank charges	383,361	696,287
Communication	334,419	279,617
Insurance	174,046	192,630
Fuel	148,663	161,858
Materials	110,102	282,142
Penalties	21,653	28,462
Other	1,122,126	807,224
Total general and administrative expenses	<u>24,039,298</u>	<u>23,533,214</u>

In professional fees have been included fees for independent auditors' remuneration for statutory audit of the annual financial statements in amount of RON 516,907 (2019: RON 472,543).

Note 22. Other operating income

Other operating income for the years ended 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Release of deferred income	510,031	327,865
Gains on write-off of trade and other payables	20,978	14,248
Net gain/ (loss) from sale of other materials	(187,237)	(64,789)
Other	1,583,419	758,115
Total other operating income	<u>1,927,191</u>	<u>1,035,439</u>

Note 23. Other operating expenses

Other operating expenses for the years ended 31 December 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Impairment of property, plant and equipment, net	(80,598)	(80,160)
Change in provisions, net	1,320,016	979,154
Unallocated overheads	355,427	228,478
Adjustment to fair value of harvest of grapes from own grape vines (a)	3,368,098	(492,135)
Adjustment to fair value of harvest of grapes from joint operation / operating leasing (b)	1,131,221	621,410
Net (gain)/ loss from disposal of property, plant and equipment and intangible assets	(193,934)	382,483
Other	(258)	49,415
Total other operating expenses	<u>5,899,972</u>	<u>1,688,645</u>

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 2020 and 31 December 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	6,794,885	5,555,156
Provisions made during the year	1,320,016	979,154
Effect of movements in exchange rates	(556,599)	260,575
Balance at 31 December	<u>7,558,302</u>	<u>6,794,885</u>

Purcari Wineries Public Company Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Adjustment to fair value of harvest of grapes**

The movement of biological assets (grapes on vines) for the years ended 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	-	-
Costs for cultivation of grapes	16,717,082	17,436,191
Fair value adjustment of harvest of grapes	(4,499,319)	(129,275)
Harvested grapes transferred to inventories	<u>(12,217,763)</u>	<u>(17,306,916)</u>
Balance at 31 December	<u>-</u>	<u>-</u>

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.

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:

	<u>2020</u>	<u>2019</u>
Area of plantations of mature vines, hectares	1,156	1,112
Area of plantations of immature vines, hectares	14	46
Total area of plantations of vines, hectares	<u>1,170</u>	<u>1,158</u>
Quantity of harvested grapes, tonnes	<u>6,456</u>	<u>11,383</u>

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:

	<u>2020</u>	<u>2019</u>
Area of plantations of vines under joint operation arrangement, hectares	61	61
Area of plantations of vines under operating lease, hectares	32	141
Total area, hectares	<u>93</u>	<u>202</u>
Quantity of harvested grapes under joint operation arrangement, tonnes	552	350
Quantity of harvested grapes under operating lease, tonnes	<u>292</u>	<u>1,219</u>
Total quantity, tonnes	<u>844</u>	<u>1,569</u>

Joint operations

Starting 2013, Crama Ceptura SRL entered into a joint arrangement with Vie Vin Podgoria Valea Calugareasca SRL ("Vie Vin").

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.

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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% (2019: 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 (2019: 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 (2019: 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 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Net gain on equity instruments at FVTPL (Note 9)	27,557,323	-
Other financial income	4,818,688	-
Finance income	<u>32,376,011</u>	<u>-</u>
Interest expense	(4,679,498)	(5,804,027)
Net loss on equity instruments at FVTPL (Note 9)	-	(235,191)
Net foreign exchange loss	(3,653,046)	(814,885)
Finance costs	<u>(8,332,544)</u>	<u>(6,854,103)</u>
Net finance income /(costs)	<u>24,043,467</u>	<u>(6,854,103)</u>

Note 25. Income tax

The corporate income tax rate in Cyprus was 12.5% for the years 2020 and 2019, 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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2020

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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 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current tax	11,517,838	7,491,192
Adjustment for prior years	-	(138,334)
Total current tax expense	<u>11,517,838</u>	<u>7,352,858</u>
Deferred tax expense		
Origination and reversal of temporary differences	(201,103)	1,122,000
Total deferred tax expense	<u>(201,103)</u>	<u>1,122,000</u>
Income tax expense	<u>11,316,735</u>	<u>8,474,858</u>

The reconciliation of effective tax rate for the years ended 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>		<u>2019</u>	
Profit before tax		<u>71,762,386</u>		<u>48,938,333</u>
Tax using the Company's domestic tax rate	12.50%	8,970,298	12.50%	6,117,292
Effect of different tax rates in foreign jurisdictions	0.98%	702,323	0.94%	461,100
Tax exempt income	(0.74%)	(528,196)	(0.05%)	(23,809)
Non-deductible expenses	1.37%	983,490	1.76%	861,930
Current year losses for which no deferred tax assets were recognized	1.37%	979,872	2.45%	1,196,679
Under (over) provided in prior years	0.29%	208,948	(0.28%)	(138,334)
Income tax expense	<u>15.77%</u>	<u>11,316,735</u>	<u>17.32%</u>	<u>8,474,858</u>

Deferred tax assets and liabilities as at 31 December 2020 were generated by the temporary differences in the following financial statement captions:

	<u>Deferred tax assets</u>	<u>Deferred tax liabilities</u>	<u>Net</u>
Property, plant and equipment	204,262	(6,287,581)	(6,083,319)
Intangible assets	-	(63,660)	(63,660)
Inventories	844,966	389,126	1,234,092
Other current assets	7,793	-	7,793
Trade and other receivables	190,577	-	190,577
Equity-accounted investees	-	(145,379)	(145,379)
Borrowings and lease liabilities	901,884	(60,522)	841,362
Deferred income	-	(351,583)	(351,583)
Trade and other payables	103,210	-	103,210
Retained earnings	-	(2,670,913)	(2,670,913)
Deferred tax assets (liabilities) before set-off	<u>2,252,692</u>	<u>(9,190,512)</u>	<u>(6,937,819)</u>
Set-off of tax	(2,252,692)	2,252,692	-
Deferred tax liabilities	<u>-</u>	<u>(6,937,820)</u>	<u>(6,937,819)</u>

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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)

The movement in deferred tax balances during the year ended 31 December 2020 was as follows:

	31 December 2019	Recognized in profit or loss	Effect of movements in exchange rates	31 December 2020
Property, plant and equipment	(5,989,985)	(534,584)	442,616	(6,081,953)
Intangible assets	(61,564)	(6,849)	3,846	(64,567)
Equity instruments at FVTPL	(655,603)	648,840	6,763	-
Inventories	860,331	444,108	(69,393)	1,235,048
Other current assets	13,741	(5,311)	(637)	7,793
Trade and other receivables	593,114	(394,241)	(8,304)	190,569
Equity-accounted investees	(190,509)	44,030	142	(146,337)
Borrowings and lease liabilities	912,448	(18,653)	(52,880)	840,915
Deferred income	(403,554)	25,459	26,512	(351,583)
Trade and other payables	111,641	(1,696)	(6,735)	103,210
Retained earnings	(2,791,703)	-	120,789	(2,670,914)
Total	(7,601,643)	201,103	462,719	(6,937,819)

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	(412,297)	25,340	(16,597)	(403,554)
Trade and other payables	204,066	(77,166)	(15,259)	111,641
Retained earnings	(2,720,595)	-	(71,108)	(2,791,703)

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all amounts are in RON, unless stated otherwise

Total	<u>(6,206,696)</u>	<u>(1,122,000)</u>	<u>(272,947)</u>	<u>(7,601,643)</u>
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Unrecognized deferred tax assets

Deferred tax assets as at 31 December 2020 and 31 December 2019 have not been recognized in respect of:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Tax losses	2,702,040	1,953,751

The tax losses as at 31 December 2020 and 31 December 2019 will expire as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Up to 1 year	-	-
1 to 2 years	-	-
2 to 3 years	73,835	-
3 to 4 years	630,856	757,072
4 to 5 years	1,113,883	1,196,679
More than 5 years	883,466	-
	<u>2,702,040</u>	<u>1,953,751</u>

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 2020 and 31 December 2019, employee benefit payables were as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Payables to employees	1,700,756	2,148,418
Accruals for unused vacation	1,470,263	876,293
Total employee benefit payables	<u>3,171,019</u>	<u>3,024,711</u>

During the year ended 31 December 2020 the average number of staff was 713 persons (2019: 667). Employee benefit expenses include base salaries, mandatory medical contribution, mandatory social contribution, bonuses for performance and equity-settled share-based payments.

The employee benefit expenses are included in the following captions:

	<u>2020</u>	<u>2019</u>
General and administrative expenses (Note 21)	14,594,666	14,577,550
Cost of sales (Note 19)	8,097,340	7,298,024
Inventory	5,970,124	5,717,588
Marketing and sales expenses (Note 20)	6,596,025	4,977,858
Total employee benefit expenses	<u>35,258,155</u>	<u>32,571,020</u>

The employee benefit expenses comprise the following categories:

	<u>2020</u>	<u>2019</u>
Base salaries and bonuses for performance	27,813,245	27,149,458
Equity-settled share-based payments	3,614,628	1,946,882
Mandatory social and medical contributions	3,830,282	3,474,680

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Notes to the Consolidated Financial Statements for the year ended 31 December 2020

all amounts are in RON, unless stated otherwise

Total employee benefit expenses	<u>35,258,155</u>	<u>32,571,020</u>
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Management incentive program

On 29 April 2020, the Company's shareholders approved the revised Special Resolution, dated initially on 14 June 2018 and revised later on 25 April 2019, stating the provision of a Management Stock Option Plan, as part of a Management Incentive Program.

The Program 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 Program comprises the following:

- a) award of up to 500,000 shares in the Company to the Beneficiaries, free of charge, subject to relevant performance indicators to be determined by the Board of Directors; and
- b) award of stock options to the Beneficiaries (the Options), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:
 - up to 500,000 Options at a strike price of 20 RON (i.e. that is, under 20 RON the value of options is nil);
 - up to 625,000 Options at a strike price of 30 RON; and
 - up to 750,000 Options at a strike price of 40 RON.

On 29 April 2020 and 25 April 2019, the Company's shareholders approved the legal framework for the redemption by the Company of own shares. In 2020 the Company acquired 120,000 own shares (2019: 200,000 shares), with the view to implement the Company's Management Incentive Program, which provides for equity-settled share-based payments to management. These shares were recorded under "Treasury Shares Reserves".

On 14 May 2020 the Company's Board of Directors approved the Long-Term Share Incentive Plan (LTSIP 1) with a total of 409,000 shares to be vested to employees during 2020-2022. On 1st June 2020 a total of 398,004 shares were offered to eligible participants.

During 2020 the Company vested 128,352 shares to its employees with a total value of RON 2,598,912 (2019: nil).

On 22 December 2020 the Company's Board of Directors approved the second Long-Term Share Incentive Plan (LTSIP 2) with a total of 101,996 shares to be vested to employees during 2021-2024. As at 31 December 2020 no shares were offered to participants under LTSIP 2. Nevertheless, the Company recognized equity-settled share-based payments expenses under this plan as all details are known and reliable measurement of such expenses can be done.

No Long-Term Incentive Plan for stock options were implemented till 31 December 2020. Nevertheless, the Company recognized equity-settled share-based payments expenses related to such an intended plan pro-rata of expenses recognized under LTSIP 1 and LTSIP 2.

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*all amounts are in RON, unless stated otherwise***Note 27. 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 2020	Vinaria Bostavan	Vinaria Bardar	Intragroup eliminations	Total
NCI percentage	0.46%	43.95%		
Non-current assets	54,406,821	10,911,060		
Current assets	63,873,387	45,406,266		
Non-current liabilities	(45,267,904)	(7,347,636)		
Current liabilities	(33,954,399)	(12,157,994)		
Net assets	39,057,905	36,811,696		
Carrying amount of NCI	178,846	16,177,928	(50,413)	16,306,361
Revenue	71,703,427	20,447,609		
Profit	(1,073,895)	6,604,739		
OCI	(4,195,458)	(2,777,628)		
Total comprehensive income	(5,269,353)	3,827,111		
Profit allocated to NCI	(4,917)	2,902,637	(6,602)	2,891,118
OCI allocated to NCI	(19,211)	(1,220,706)	2,891,118	1,651,201
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

Note 28. Acquisition of non-controlling interests

The Company made no acquisitions of non-controlling interest in the presented periods.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2020

*all amounts are in RON, unless stated otherwise***Note 29. Related parties**

The Group's related parties for the years 2020 and 2019 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
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	
	2020	2019	2020	2019
Victor Bostan				
- Salaries and bonuses for performance	(591,122)	(969,956)	(446,923)	(258,842)
Ecosmart Union SA				
- Other expenses	(2,097,321)	(1,818,968)	-	-
- Trade payables	-	-	(224,409)	(275,441)
Victoriavin SRL				
- Recognition of right-of-use assets	3,722,649	3,952,874	-	-
- Lease liabilities	-	-	(3,934,653)	(4,076,628)
- Other receivables	-	-	-	14,693
- Trade payables	-	-	(147,679)	(25,710)
- Operating leases	(47,059)	(46,301)	-	-
- Acquisition of inventories	(4,706)	(9,630)	-	-
BC Moldova Agroindbank SA				
- Sales of merchandise	-	31,376	-	-
- Interest expense	(3,532,395)	(3,203,997)	-	-
- Bank charges	(476,166)	(219,093)	-	-
- Secured bank loans	-	-	(66,375,411)	(71,924,540)
- Cash and cash equivalents	-	-	35,839,775	6,043,948
Agro Sud Invest SRL				
- Agricultural services	(3,752,623)	(3,793,775)	-	-
- Trade payables	-	-	(462,055)	(294,341)
BSC Agro SRL				
- Agricultural services	(5,289,599)	(5,575,080)	-	-
- Trade payables	-	-	(718,377)	(767,357)
Key management personnel				
- Salaries and bonuses for performance	(4,383,690)	(5,359,895)	(1,575,844)	(1,356,038)
- Equity-settled share-based payment	(1,941,760)	(1,946,882)	(1,774,801)	(1,946,882)

Note 30. 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 2020 and 31 December 2019.

(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.

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*all amounts are in RON, unless stated otherwise***Note 31. 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 2020 and 31 December 2019 was as follows:

	Indicator	Note	2020	2019
EBITDA	EBITDA		60,013,426	65,360,842
Less: depreciation for the year		7	(11,956,197)	(9,455,652)
Less: amortization for the year		10	(338,310)	(112,754)
Result from operating activities	EBIT		47,718,919	55,792,436
Less: net finance income/ (costs)		24	24,043,467	(6,854,103)
Earnings Before Income Taxes	EBT		71,762,386	48,938,333
Less: tax expense		25	(11,316,735)	(8,474,858)
Profit for the year			60,445,651	40,463,475

Note 32. Events after the reporting period

There were no further material events after the reporting period.