Purcari Wineries Public Company Limited

PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

PURCARI WINERIES PUBLIC COMPANY LIMITED
PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS
31 December 2020

CONTENT

BOARD OF DIRECTORS AND OTHER OFFICERS

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	**2020** **US$**	2019 US$
Revenue	6	**923.404**	8.306.547
Administration expenses	7	**(2.058.251)**	(1.786.779)
Operating profit/(loss)		**(1.134.847)**	6.519.768
Net finance costs	8	**122.308**	(269.065)
Profit before tax		**(1.012.539)**	6.250.703
Tax	9	**-**	32.642
Net profit/(loss) for the year		**(1.012.539)**	6.283.345
Other comprehensive income		**-**	-
Total comprehensive income for the year attributable to owners		**(1.012.539)**	6.283.345

The notes on pages 8 to 21 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Note	**2020** **US$**	2019 US$
ASSETS			
Investments in subsidiaries	10	**27.835.758**	27.835.758
Non-current assets		**27.835.758**	27.835.758
Trade and other receivables	11	**4.653.606**	8.174.710
Cash and cash equivalents	12	**1.755.928**	68.785
Current assets		**6.409.534**	8.243.495
Total assets		**34.245.292**	36.079.253
EQUITY			
Share capital	13	**241.953**	241.953
Other reserves		**26.441.469**	26.447.033
Retained earnings		**6.880.058**	7.636.491
Total equity		**33.563.480**	34.325.477
Trade and other payables	14	**681.812**	1.753.776
Current liabilities		**681.812**	1.753.776
Total equity and liabilities		**34,245,292**	36.079.253

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

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital US$	Share premium US$	Treasury Shares Reserves US$	Capital reserve US$	Retained earnings US$	Total US$
Balance at 1 January 2019	**241.953**	**10.556.791**	**-**	**16.963.544**	**5.454.598**	**33.216.886**
Net profit for the year	-	-	-	-	6.283.345	6.283.345
Treasury shares acquired	-	-	(1.073.302)	-	-	(1.073.302)
Equity-settled share-based payment					456.929	456.929
Dividends	-	-	-	-	(4.558.381)	(4.558.381)
Balance at 31 December 2019 / 1 January 2020	**241.953**	**10.556.791**	**(1.073.302)**	**16.963.544**	**7.636.491**	**34.325.477**
Net loss for the year	-	-	-	-	(1.012.539)	(1.012.539)
Treasury shares acquired	-	-	(660.862)	-	-	(660.862)
Shares vested to employees	-	-	655.298	-	(655.298)	-
Equity-settled share-based payment	-	-	-	-	911.404	911.404
Balance at 31 December 2020	**241.953**	**10.556.791**	**(1.078.866)**	**16.963.544**	**6.880.058**	**33.563.480**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

Share premium is not available for distribution.

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".

During 2020 the Company vested 128.352 shares to its employees with a total value of 655.298 USD.

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.

The notes on pages 8 to 21 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Note	**2020** **US$**	2019 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(1.012.539)**	6.250.703
Adjustments for:			
Equity-settled share-based payment transactions		**911.404**	456.929
Interest income		**-**	-
Non-cash capital contribution		**-**	-
Operating profit before working capital changes		**(101.135)**	6.707.632
Changes in working capital:			
Decrease/(Increase) in trade and other receivables		**3.521.101**	(1.289.147)
Increase/(Decrease) in trade and other payables		**(1.071.961)**	118.433
Cash generated from (used in) operations		**2.348.005**	5.536.918
Interest received		**-**	-
Tax paid		**-**	(338)
Net cash generated from (used in) operating activities		**2.348.005**	5.536.580
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans repayments received		**-**	-
Net cash generated from investing activities		**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**-**	(4.558.381)
Repurchase of treasury shares		**(660.862)**	(1.073.302)
Net cash generated used in financing activities		**(660.862)**	(5.631.683)
Net decrease in cash and cash equivalents		**1,687,143**	(95.103)
Cash and cash equivalents at beginning of the year		**68.785**	163.888
Cash and cash equivalents at end of the year	12	**1.755.928**	68.785

The notes on pages 8 to 21 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

Purcari Wineries Public Company Limited (the "Company") was incorporated in Cyprus on 14 June 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. As at 11 January 2018 the Company has been transformed into a public company and its shares started being traded at Bucharest Stock Exchange on February 15, 2018. Its registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

Principal activities and nature of operations of the Company

The principal activities of the Company, which are unchanged from last year, are the holding of investments and the provision of finance to other companies.

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 and are for the year ended 31 December 2020.

Basis of measurements

The financial statements have been prepared under the historical cost convention.

Standards and interpretation

Going concern basis

These parent financials statements have been prepared under the going concern basis, which assumes the realization of assets and settlement of liabilities in the course of ordinary economic activity.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the “Group”). The consolidated financial statements can be obtained from the Company’s registered office.

Users of these parent’s separate financial statements should read them together with the Group’s consolidated financial statements as at and for the year ended 31 December 2020 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

As from 1 January 2020, the Company adopted all changes to International Financial Reporting Standards (IFRSs), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Company.

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these financial statements. The entity plans to adopt these pronouncements when they become effective.

(i) Standards and Interpretations adopted by the EU

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.

- 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).

(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).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

3. Significant accounting policies

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

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified.

Revenue recognition

Revenues earned by the Company are recognized on the following bases:

- **Services**

  Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a service to customer.

  Under IFRS 15, revenue is recognized when a customer obtains control of services. Determining the timing of the transfer of control – at a point in time or over time – required judgement.

- **Interest income**

  Interest income is recognized on a time-proportion basis using the effective interest method.

- **Dividends**

  Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Finance costs

Interest expense and other borrowing costs are recognized in profit or loss using the effective interest method.

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.

Foreign currency translation

(1) <u>**Functional and presentation currency**</u>

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$), which is the Company's functional and presentation currency.

(2) <u>**Transactions and balances**</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Company 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 fair value through profit or loss (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.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive income (FVOCI) debt investment; Fair Value through Other Comprehensive income (FVOCI) equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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 amortized 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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets - Classification

The Company classified its financial assets into one of the following categories:
- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

4.1 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that finance is provided to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Exposure to credit risk

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

	Carrying amount	
	31 December 2020	**31 December 2019**
Cash and cash equivalents	1.755.928	68.785
Trade and other receivables	4.650.743	8.171.199
Total	**6.406.671**	**8.239.984**

Impairment

Impairment of trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors and concluded that an adjustment of historical default rates is not required as it is immaterial.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorizes a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the loans, receivables and other receivables, and debt securities the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic data.

The company provides for credit losses against loans to related parties, receivables, other receivables, debt securities at FVOCI and cash and cash equivalents. No ECL allowance was recognized.

Impairment of other financial assets at amortized cost

Other financial assets at amortized cost include receivable from related party and other receivables.

There is no impairment charge and there were no changes to estimation techniques or assumptions during the reporting period.

No receivables from related parties or other receivables were written off during the period are still subject to enforcement activity.

4.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following were the estimated cash outflows for trade and other payables, excluding the impact of netting agreements:

Monetary liabilities	Carrying Amount	Total Contractual Cash Flow	Between 1 – 12 months	More than 1 year
31 December 2020				
Trade and other payables	681.812	681.812	681.812	-
Total	**681.812**	**681.812**	**681.812**	**-**
31 December 2019				
Trade and other payables	1.596.473	1.596.473	1.596.473	-
Total	**1.596.473**	**1.596.473**	**1.596.473**	**-**

4.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The following exchange rates were applied to recalculate assets and liabilities that are denominated in a currency that is not the Company's measurement currency, as at the end of the year:

	31 December 2020	31 December 2019
MDL1	17,2146	17,2093
EUR 1	1,2271	1,1234
RON 1	3,9660	4,2608

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

The summary of quantitative data about the Company's monetary assets and monetary liabilities in original currency was as follows:

	EUR	USD	MDL	RON	Total
31 December 2020					
Monetary assets					
Cash and cash equivalents	214.340	26.534	-	1.515.054	1.755.928
Trade receivables	-	624.553	4.026.190	-	4.650.743
Total monetary assets	**214.340**	**651.087**	**4.026.190**	**1.515.054**	**6.406.671**
Monetary liabilities					
Trade and other payables	377.743	264.300	21.689	18.079	681.812
Total monetary liabilities	**377.743**	**264.300**	**21.689**	**18.079**	**681.812**
Net statement of financial position exposure	**(163.403)**	**386.787**	**4.004.501**	**1.496.975**	**5.724.859**

	EUR	USD	MDL	RON	Total
31 December 2019					
Monetary assets					
Cash and cash equivalents	11.539	46.271	-	10.975	68.785
Trade receivables	-	556.730	4.067.568	3.546.901	8.171.199
Total monetary assets	**11.539**	**603.001**	**4.067.568**	**3.557.876**	**8.239.984**
Monetary liabilities					
Trade and other payables	87.042	1.539.933	-	126.801	1.753.776
Total monetary liabilities	**87.042**	**1.539.933**	**-**	**126.801**	**1.753.776**
Net statement of financial position exposure	**(75.503)**	**(936.932)**	**4.067.568**	**3.431.075**	**6.486.208**

Exposure to currency risk

For monetary assets and liabilities, the Company is exposed to currency risk mainly for balances denominated in RON and MDL.

Sensitivity analysis

A 5% strengthening of the USD against RON and MDL would have decreased the profit before tax by USD 261.975 for the year 2020 (2019: USD 357.078). This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date.

4.4 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

The management do not provide quantification of any risks described above, as consider the no substantial risks exist due to the specific of its activity as holding Company, with small operational activity.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of investments in subsidiaries**

  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

  The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

6. Revenue

	2020 US$	2019 US$
Rendering of services	**12.953**	56.208
Dividends income (Note 15.1)	**910.451**	8.250.339
	923.404	8.306.547

7. Administration expenses

	2020 US$	2019 US$
Registrar of Companies annual levy	**379**	394
Independent auditors' remuneration for the statutory audit of annual accounts	**32.710**	29.945
Independent auditors' remuneration for the audit of consolidated accounts	**89.087**	81.559
Directors' and officers' remuneration	**926.590**	1.078.010
Equity-settled share-based payment	**911.404**	456.929
Legal and professional	**89.107**	63.630
Travelling	**330**	4.962
Insurance	**5.516**	6.968
Other	**3.128**	64.382
	2.058.251	1.786.779

8. Finance costs

	2020 US$	2019 US$
Foreign exchange transaction losses/(gains)	**(131.419)**	258.342
Sundry finance expenses	**9.111**	10.723
	(122.308)	269.065

9. Tax

	2020 US$	2019 US$
Corporation tax - current year	-	-
Corporation tax – prior years	-	(32.642)
Charge for the year	-	(32.642)

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2020 US$	2019 US$
Profit/(Loss) before tax	**(1.012.539)**	6.250.703
Tax calculated at the applicable tax rates	**(126.567)**	781.338
Tax effect of expenses not deductible for tax purposes	**9.490**	71.579
Current year losses for which no tax expense was recognized	**230.883**	178.375
Tax effect of allowances and income not subject to tax	**(113.806)**	(1.031.292)
Under (over) provided in prior years	-	(32.642)
10% additional charge	-	-
Tax charge	-	**(32.642)**

The corporation tax rate is 12,5%.

Under certain conditions, interest income may be subject to defense contribution at the rate of 30%. In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17%.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2020 Gross amount	**2019 Tax effect**	2019 Gross amount	2019 Tax effect
Tax losses	**5.450.409**	**681.301**	3.668.328	458.541

Tax losses carried forward

Tax losses for which no deferred tax asset was recognized expire as follows.

Expire	**5.450.409**	**2021 – 2026**	3.668.328	2020 – 2025

In 2020, the Company incurred a tax loss of USD 1.782.081, increasing cumulative tax losses to USD 5.450.409. Management has determined that the recoverability of cumulative tax losses, which expire in 2021–2026, is uncertain due to specific activity of the Company as holding company. However, if the Group changes its operational flow that will generate taxable profit at parent company level, then additional deferred tax assets and a related income tax benefit of up to USD 681.301 could be recognized.

10. Investments in subsidiaries

	2020 US$	2019 US$
Balance at 1 January	**27.835.758**	27.835.758
Additions	**-**	-
Balance at 31 December	**27.835.758**	27.835.758

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2020 Holding %	2019 Holding %	**2020 US$**	2019 US$
Vinaria Bostavan SRL	Republic of Moldova	Wine production	99,54	99,54	**14.209.473**	14.209.473
Crama Ceptura SRL	Romania	Wine production	100	100	**3.063.829**	3.063.829
Vinorum Holdings Ltd	Gibraltar	Investments	100	100	**5.000.000**	5.000.000
Vinaria Purcari SRL	Republic of Moldova	Wine production	100	100	**5.562.456**	5.562.456
					27.835.758	27.835.758

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

11. Trade and other receivables

	2020	2019
	US$	US$
Trade receivables	**12.953**	3.442
Receivables from related companies (Note 15.3)	**4.637.790**	8.167.757
Prepayments	**2.863**	3.511
	4.653.606	8.174.710

The exposure of the Company to credit risk in relation to trade and other receivables is reported in note 3 of the financial statements.

12. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents include the following

	2020	2019
	US$	US$
Cash at bank	**1.755.928**	68.785
	1.755.928	68.785

The exposure of the Company to credit risk in relation to cash and cash equivalents is reported in note 3 of the financial statements.

13. Share capital

	2020 Number of shares	**2020 €**	2019 Number of shares	2019 €
Authorised				
Ordinary shares of €0,01 each	**21.000.000**	**210.000**	20.000.000	200.000
		US$		US$
Issued and fully paid				
Balance at 1 January	**20.000.000**	**241.953**	20.000.000	241.953
Balance at 31 December	**20.000.000**	**241.953**	20.000.000	241.953

On 29 April 2020, the Company's shareholders approved the increase of authorized share capital by 1.000.000 ordinary shares of €0,01 each.

The Board of Directors is authorized to issue these shares within 12 months from the date of approval. As of 31 December 2020 no shares were issued.

14. Trade and other payables

	2020	2019
	US$	US$
Payables to own subsidiaries (Note 15.4)	**-**	1.237.249
Payables to related parties (Note 15.5)	**102.917**	56.275
Dividends payables	**10.150**	9.452
Other creditors	**568.745**	450.800
	681.812	1.753.776

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 3 of the financial statements.

15. Related party transactions

The Company's related parties for the years 2020 and 2019 were the following:

Name of the entity	**Relationship with the Company**
Amboselt Universal Inc.	Major shareholder of the Company
Victor Bostan	Ultimate Beneficial Owner through Amboselt Universal Inc.
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Vinaria Purcari SRL	Subsidiary
Vinaria Bostavan SRL	Subsidiary
Crama Ceptura SRL	Subsidiary
Vinorum Holdings	Subsidiary
Key management personnel	Members of board of directors of the Company, CEOs, COO, CFO, CCO

The following transactions were carried out with related parties:

15.1 Dividend income (Note 6)

	2020	2019
	US$	US$
Vinaria Purcari SRL	**290.451**	4.173.438
Crama Ceptura SRL	**-**	3.546.901
Vinorum Holdings Limited	**620.000**	530.000
	910.451	8.250.339

15.2 Administration expenses (Note 7)

	2020	2019
	US$	US$
Directors' remuneration	**252.106**	325.962
Equity-settled share-based payments of key management personnel	**331.340**	456.929
	583.446	782.891

15.3 Receivables from related parties (Note 11)

		2020	2019
	Nature	**US$**	US$
Vinaria Purcari SRL	Dividends	**4.026.190**	4.067.568
Crama Ceptura SRL	Dividends	**-**	3.546.901
Vinorum Holdings Limited	Dividends	**611.601**	553.288
		4.637.791	8.167.757

15.4 Payables to own subsidiaries (Note 14)

	Nature	2020 US$	2019 US$
Crama Ceptura SRL	Trade	-	887.249
Vinaria Purcari SRL	Financing	-	350.000
		-	1.237.249

15.5 Payables to related parties (Note 14)

	Nature	US$	US$
Victor Bostan	Management fees	**102.917**	56.275
		102.917	56.275

16. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2020	Financial assets at amortized cost **US$**	Total **US$**
Assets as per statement of financial position:		
Trade and other receivables	4.650.743	4.650.743
Cash and cash equivalents	1.755.928	1.755.928
Total	**6.406.671**	**6.406.671**

	Financial liabilities at amortized cost **US$**	Total **US$**
Liabilities as per statement of financial position:		
Trade and other payables	681.812	681.812
Total	**681.812**	**681.812**

31 December 2019	Financial assets at amortized cost **US$**	Total **US$**
Assets as per statement of financial position:		
Trade and other receivables	8.171.199	8.171.199
Cash and cash equivalents	68.785	68.785
Total	**8.239.984**	**8.239.984**

	Financial liabilities at amortized cost **US$**	Total **US$**
Liabilities as per statement of financial position:		
Trade and other payables	1.753.776	1.753.776
Total	**1.753.776**	**1.753.776**

17. Events after the reporting period

There were no further material events after the reporting period.