

**PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY
BOSTAVAN WINERIES LIMITED)**

PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2019

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS
31 December 2019

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**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors and other Officers

Board of Directors:

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

Chairman of the Board of Directors: Vasile Tofan, first appointment on the 24 April 2018,
re-elected by the Board of Directors on 25 April 2019

Company Secretary: Inter Jura CY (Services) Limited

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

Registered office: 1, Lampousas Street
1095 Nicosia
Cyprus

Registration number: HE201949

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

for the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
Revenue	6	8.339.527	6.965.396
Administration expenses	7	<u>(1.189.605)</u>	(1.508.499)
Operating profit/(loss)		7.149.922	5.456.897
Net finance costs	8	<u>(258.711)</u>	(2.299)
Profit/(loss) before tax		6.891.211	5.454.598
Tax	9	<u>-</u>	-
Net profit/(loss) for the year		6.891.211	5.454.598
Other comprehensive income		<u>-</u>	-
Total comprehensive income for the year		<u>6.891.211</u>	<u>5.454.598</u>

The notes on pages 8 to 19 form an integral part of these financial statements.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	2019 US\$	2018 US\$
ASSETS			
Investments in subsidiaries	10	<u>27.835.758</u>	27.835.758
Non-current assets		<u>27.835.758</u>	27.835.758
Trade and other receivables	11	8.174.710	6.885.563
Cash and cash equivalents	12	<u>68.785</u>	163.888
Current assets		<u>8.243.495</u>	7.049.451
Total assets		<u>36.079.253</u>	34.885.208
EQUITY			
Share capital	13	241.953	241.953
Other reserves		26.463.753	27.520.335
Retained earnings		<u>7.777.074</u>	5.454.598
Total equity		<u>34.482.780</u>	33.216.886
Trade and other payables	14	1.596.473	1.635.342
Current tax liabilities	15	-	32.980
Current liabilities		<u>1.596.473</u>	1.668.322
Total equity and liabilities		<u>36.079.253</u>	34.885.208

Victor Bostan

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

Victor Arapan

*Chief Financial Officer (CFO),
Member of the Board of Directors*

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**PURCARI WINERIES PUBLIC COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital US\$	Share premium US\$	Treasury Shares Reserves US\$	Capital reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2018	10.455	25.681.684		17.892.827	(14.893.395)	28.691.571
Net profit for the year	-	-	-	-	5.454.598	5.454.598
Increase in share capital	231.498	(231.498)	-	-	-	-
Distribution from capital reserves	-	-	-	(929.283)	-	(929.283)
Reduction of share premium through accumulated losses	-	(14.893.395)	-	-	14.893.395	-
Balance at 31 December 2018/ 1 January 2019	241.953	10.556.791		16.963.544	5.454.598	33.216.886
Net profit for the year	-	-	-	-	6.891.211	6.891.211
Treasury shares acquired	-	-	(1.056.582)	-	-	(1.056.582)
Dividends	-	-	-	-	(4.568.735)	(4.568.735)
Balance at 31 December 2019	<u>241.953</u>	<u>10.556.791</u>	<u>(1.056.582)</u>	<u>16.963.544</u>	<u>7.777.074</u>	<u>34.482.780</u>

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.

The increase in share capital was done as a preparation for IPO with the scope to increase number of shares at an affordable face value for investors. The process was composed of a subdivision and several bonus issues. For details, please see Note 13.

The Company acquired during the year 200.000 shares with the view to implement the Company's shareholders meeting resolutions no. 3 of 14 June 2018 and no. 5 of 25 April 2019 in connection with the Management Incentive Program.

These shares were recorded under "Treasury Shares Reserves".

Management incentive program

On 14 June 2018, the Company's shareholders approved a Special Resolution providing for a Management Stock Option Plan, in the framework of a Management Incentive Program.

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

- a) award of up to 400.000 shares in the Company to the Beneficiaries, free of charge, with annual vesting (i.e. 1/4 vests at the end of each year) and subject to relevant performance indicators to be determined by the Board of Directors; and
- b) award of stock options to the Beneficiaries (the Options), with annual vesting (i.e. 1/4 vests at the end of each year), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:
 - up to 400.000 Options at a strike price of 20 RON (i.e. that is, under 20 RON the value of options is nil);
 - up to 500.000 Options at a strike price of 30 RON; and
 - up to 600.000 Options at a strike price of 40 RON.

On 25 April 2019, the Company's shareholders approved that Special Resolution 1 in a new revision in order to allow the Company to perform the redemption of 200.000 shares for execution in the near future of Management Stock Option Plan.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

The terms of the award have not been officially communicated yet to the individuals, and there is no final list yet of individuals that will benefit from this program (since the list of group's senior management has not yet been defined). The plan is aimed at employees considered top management (except CEO), on a case by case basis. No employee was formally notified of the number of shares / options he/she receives and the exercise prices of the options. The employees have not accepted the award explicitly (by signing a contract or at least agreeing verbally).

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

The Company has not accounted for this management reward scheme in these consolidated financial statements. Since the identity of the individuals that will receive the options and the number of options that will be awarded to each employee have not been determined nor discussed in 2019, there is no grant date in 2019. Also, while directors and top management are aware of the new plan, they do not know if it is applicable to them because the identity of the individuals that will receive options is not yet known, neither formally (by notification) nor implicitly (through discussions). This conclusion is based on the fact that the plan is directed towards some (rather than all) employees that are considered top management and some (rather than all) of the directors. Services cannot be provided before grant date if the employees are not sure that they will actually receive options. Therefore, it cannot be assumed that they are providing services towards this award.

The notes on pages 8 to 19 form an integral part of these financial statements.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
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STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		6.891.211	5.454.598
Adjustments for:			
Interest income		-	(14.789)
Non-cash capital contribution		-	(929.283)
		<u>6.891.211</u>	<u>4.510.526</u>
Operating profit/(loss) before working capital changes		6.891.211	4.510.526
Changes in working capital:			
Increase in trade and other receivables		(1.289.145)	(6.146.195)
Increase/(decrease) in trade and other payables		(71.851)	1.026.175
		<u>5.530.215</u>	<u>(609.494)</u>
Cash used in operations		5.530.215	(609.494)
Interest received		-	14.789
Tax paid		-	(23.828)
		<u>5.530.215</u>	<u>(618.533)</u>
Net cash used in operating activities		5.530.215	(618.533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans repayments received		-	244.901
		<u>-</u>	<u>244.901</u>
Net cash generated from/(used in) investing activities		-	244.901
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4.568.735)	-
Repurchase of treasury shares		(1.056.582)	-
		<u>(5.625.317)</u>	<u>-</u>
Net cash generated from/(used in) financing activities		(5.625.317)	-
Net increase in cash and cash equivalents		(95.102)	(373.632)
Cash and cash equivalents at beginning of the year		163.887	537.519
		<u>163.887</u>	<u>163.887</u>
Cash and cash equivalents at end of the year	12	68.785	163.887

The notes on pages 8 to 19 form an integral part of these financial statements.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

1. Incorporation and principal activities

Country of incorporation

The Company Purcari Wineries Public Company Limited (Formerly Bostavan Wineries 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 2019.

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 realisation 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 2019 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 2019, 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 2019, 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 not adopted by the EU

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture*

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 3 *Business Combinations*
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

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 recognised 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**

Prior 1 January 2018

Revenue is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to statements of work performed.

After 1 January 2018

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 recognised on a time-proportion basis using the effective interest method.

- **Dividends**

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

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

Finance costs

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

Foreign currency translation

(1) **Functional and presentation currency**

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) **Transactions and balances**

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 recognised 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

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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 derecognised 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 recognised as a separate asset or liability.

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Financial liabilities

A financial liability is derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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.

4. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, 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 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

4.2 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 2019	31 December 2018
Cash and cash equivalents	68.785	163.888
Trade and other receivables	8.174.710	6.885.563
Loan receivables	-	-
Total	8.243.495	7.049.451

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NOTES TO THE FINANCIAL STATEMENTS

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4. Financial risk management (continued)

4.3 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 minimising 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 2019				
Trade and other payables	1.596.473	1.596.473	1.596.473	-
Total	1.596.473	1.596.473	1.596.473	-
31 December 2018				
Trade and other payables	1.635.342	1.635.342	1.635.342	-
Total	1.635.342	1.635.342	1.635.342	-

4.4 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 recognised 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.

4.5 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 maximising the return to shareholders through the optimisation 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.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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for the year ended 31 December 2019

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 recognises 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.

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for the year ended 31 December 2019

6. Revenue

	2019	2018
	US\$	US\$
Rendering of services	56.208	94.433
Loan interest income (Note 16.1)	-	14.789
Dividends income (Note 16.2)	8.250.339	6.845.829
Other	32.980	10.345
	<u>8.339.527</u>	<u>6.965.396</u>

7. Administration expenses

	2019	2018
	US\$	US\$
Registrar of Companies annual levy	394	433
Sundry expenses	-	-
Independent auditors' remuneration for the statutory audit of annual accounts	29.945	67.183
Independent auditors' remuneration for other assurance services	81.559	348.368
Directors' and officers' remuneration	920.707	967.105
Legal and professional	80.351	115.969
Travelling	4.962	5.200
Insurance	6.968	3.578
Other	64.719	663
	<u>1.189.605</u>	<u>1.508.499</u>

8. Finance costs

	2019	2018
	US\$	US\$
Foreign exchange transaction losses	247.988	(7.499)
Sundry finance expenses	10.723	9.798
	<u>258.711</u>	<u>2.299</u>

9. Tax

	2019	2018
	US\$	US\$
Corporation tax - current year	-	-
Charge for the year	<u>-</u>	<u>-</u>

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

	2019	2018
	US\$	US\$
Profit/(Loss) before tax	<u>6.891.211</u>	<u>5.454.598</u>
Tax calculated at the applicable tax rates	861.401	681.825
Tax effect of expenses not deductible for tax purposes	169.891	173.904
Tax effect of allowances and income not subject to tax	(1.031.292)	(855.729)
10% additional charge	-	-
Tax charge	<u>-</u>	<u>-</u>

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The corporation tax rate is 12,5%.

Under certain conditions, interest income may be subject to defence 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 defence contribution at the rate of 17%.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised 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.

	2019	2019	2018	2018
	Gross amount	Tax effect	Gross amount	Tax effect
Tax losses	<u>3.017.466</u>	<u>377.183</u>	1.421.467	<u>177.683</u>

Tax losses carried forward

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

	2019	Expiry date	2018	Expiry date
Expire	<u>3.017.466</u>	<u>2020 – 2025</u>	1.421.467	<u>2019 - 2024</u>

In 2019, the Company incurred a tax loss of USD 1.595.999, increasing cumulative tax losses to USD 3.017.466. Management has determined that the recoverability of cumulative tax losses, which expire in 2020–2025, 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 377.183 could be recognized.

10. Investments in subsidiaries

	2019	2018
	US\$	US\$
Balance at 1 January	27.835.758	27.835.758
Additions	<u>-</u>	<u>-</u>
Balance at 31 December	<u>27.835.758</u>	<u>27.835.758</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2019	2018	2019	2018
			Holding %	Holding %	US\$	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	<u>5.562.456</u>	<u>5.562.456</u>
					<u>27.835.758</u>	<u>27.835.758</u>

**PURCARI WINERIES PUBLIC COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

11. Trade and other receivables

	2019	2018
	US\$	US\$
Trade receivables	3.442	8.790
Receivables from related companies (Note 16.3)	8.167.757	6.873.195
Prepayments	3.511	3.578
	<u>8.174.710</u>	<u>6.885.563</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses 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:

	2019	2018
	US\$	US\$
Cash at bank and in hand	<u>68.785</u>	163.888
	<u>68.785</u>	<u>163.888</u>

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

13. Share capital

	2019	2019	2018	2018
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €0.01 each	<u>20.000.000</u>	<u>200.000</u>	<u>20.000.000</u>	<u>200.000</u>
		US\$		US\$
Issued and fully paid				
Balance at 1 January	<u>20.000.000</u>	<u>241.953</u>	<u>4.751.295</u>	<u>10.455</u>
Issue of 1,555 bonus shares of €0.00001 each		-		-
Issue of 19,187,527 bonus shares of €0.01 each		-		231.498
Balance at 31 December	<u>20.000.000</u>	<u>241.953</u>	<u>20.000.000</u>	<u>241.953</u>

As of January 1st 2018, the authorised share capital of the Company was €8.124,71445 divided into 4.751.295 ordinary shares of €0,001710 each and the issued share capital of the Company was €8.124,71445 divided into 4.751.295 ordinary shares of €0,001710 each.

Following that, on January 4th, 2018 the members of the Company adopted a written resolution approving:

- 1) that the 4.751.295 ordinary shares of €0,001710 each be subdivided into 812.471.445 ordinary shares of €0,00001 each
- 2) that 1.555 ordinary shares in the Company of €0,00001 each be issued as fully paid bonus shares (such payment to be made out of the Company's share premium account)
- 3) that following the subdivision and the issue of bonus shares set out above, the 812.473.000 issued ordinary shares of €0,00001 each in the Company be consolidated into 812.473 ordinary shares of €0,01 each
- 4) that 19.187.527 ordinary shares in the Company of €0,01 each be issued as fully paid bonus shares (such payment to be made out of the Company's share premium account)
- 5) that following the issue of shares set out in paragraphs above, the issued share capital of the Company shall consist of 20.000.000 fully paid ordinary shares of €0,01 each

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NOTES TO THE FINANCIAL STATEMENTS
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14. Trade and other payables

	2019	2018
	US\$	US\$
Payables to own subsidiaries (Note 16.4)	1.237.249	1.329.783
Payables to related parties (Note 16.5)	56.275	178.856
Dividends payables	9.452	-
Other creditors	293.497	126.703
	<u>1.596.473</u>	<u>1.635.342</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

15. Current tax liabilities

	2019	2018
	US\$	US\$
Corporation tax	-	32.980
Special contribution for defence	-	-
	<u>-</u>	<u>32.980</u>

16. Related party transactions

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

<u>Name of the entity</u>	<u>Relationship with the Company</u>
Lorimer Ventures Limited	Major shareholder of the Company
Emerging Europe Growth Fund II	Majority shareholder of Lorimer Ventures Limited
Amboselt Universal Inc.	Major shareholder of the Company
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
Directors	Members of board of directors of the Company

The following transactions were carried out with related parties:

16.1 Interest income (Note 6)

	2019	2018
	US\$	US\$
Victoriavin SRL	-	14.789
	<u>-</u>	<u>14.789</u>

16.2 Dividend income (Note 6)

	2019	2018
	US\$	US\$
Vinaria Purcari SRL	4.173.438	3.500.032
Crama Ceptura SRL	3.546.901	2.945.797
Vinorum Holdings Limited	530.000	400.000
	<u>8.250.339</u>	<u>6.845.829</u>

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16.3 Receivables from related parties (Note 11)

		2019	2018
	Nature	US\$	US\$
Vinaria Bostavan SRL	Trade	-	27.366
Vinaria Purcari SRL	Dividends	4.067.568	3.500.032
Crama Ceptura SRL	Dividends	3.546.901	2.945.797
Vinorum Holdings Limited	Dividends	553.288	400.000
		<u>8.167.757</u>	<u>6.873.195</u>

16.4 Payables to own subsidiaries (Note 14)

		2019	2018
	Nature	US\$	US\$
Crama Ceptura SRL	Trade	887.249	979.783
Vinaria Purcari SRL	Financing	350.000	350.000
		<u>1.237.249</u>	<u>1.329.783</u>

16.5 Payables to related parties (Note 14)

		2019	2018
	Nature	US\$	US\$
Victor Bostan	Management fees	56.275	126.759
Maxemchuk Consulting	Management fees	-	28.052
Monica Cadogan	Management fees	-	24.045
		<u>56.275</u>	<u>178.856</u>

17. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

18. Commitments

The Company had no capital or other commitments as at 31 December 2019.

19. Events after the reporting period

There were no further material events after the reporting period.