Purcari Wineries Public Company Limited

(Formerly Bostavan Wineries Ltd.)

Preliminary Unaudited Consolidated Financial Information

31 December 2017

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	Note	31 December 2017 (unaudited)	31 December 2016
Assets			
Property, plant and equipment	**6**	66,947,091	64,931,515
Intangible assets		1,050,873	1,058,552
Loans receivable		953,034	2,840,953
Investments in associates	**7**	7,457,736	-
Other non-current assets		24,446	9,441
Total non-current assets		**76,433,180**	**68,840,461**
Inventories	**9**	87,088,538	50,733,554
Trade and other receivables	**8**	49,208,846	33,656,488
Cash and cash equivalents	**10**	22,929,564	13,267,974
Loans receivables		250,327	-
Other current assets		70,605	457,750
Total current assets		**159,547,880**	**98,115,766**
Total assets		**235,981,060**	**166,956,227**
Equity			
Share capital		34,838	34,838
Share premium		123,314,601	123,685,006
Foreign currency translation reserve		5,762,883	909,278
Other reserves		11,286,318	8,916,387
Retained earnings		(35,449,040)	(67,154,895)
Equity attributable to owners of the Company		**104,949,600**	**66,390,614**
Non-controlling interests		**7,562,477**	**10,395,478**
Total equity		**112,512,077**	**76,786,092**
Liabilities			
Loans and borrowings	**12**	35,700,422	11,098,108
Deferred income		1,159,387	47,861
Deferred tax liability		5,886,256	5,066,408
Long term finance lease liabilities		98,760	-
Total non-current liabilities		**42,844,825**	**16,212,377**
Loans and borrowings	**12**	38,602,451	47,534,071
Deferred income		-	76,156
Current tax liabilities		275,903	3,033,139
Employee benefits		1,070,163	1,200,080
Trade and other payables	**13**	35,585,129	18,667,278
Provisions	**19**	5,090,512	3,447,034
Total current liabilities		**80,624,158**	**73,957,758**
Total liabilities		**123,468,983**	**90,170,135**
Total equity and liabilities		**235,981,060**	**166,956,227**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

	Note	Year ended 31 December 2017 (unaudited)	Year ended 31 December 2016
Revenue	**14**	147,010,925	106,760,242
Cost of sales	**15**	(82,616,002)	(53,471,103)
Gross profit		**64,394,923**	**53,289,139**
Other operating income	**18**	1,317,093	1,223,583
Marketing and sales expenses	**16**	(10,016,006)	(9,562,730)
General and administrative expenses	**17**	(14,114,971)	(11,801,203)
Other operating expenses	**19**	(1,799,763)	(1,449,118)
Result from operating activities		**39,781,276**	**31,699,671**
Finance income	**20**	1,306,875	158,309
Finance costs	**20**	(4,016,142)	(4,884,140)
Net finance costs	**20**	**(2,709,267)**	**(4,725,831)**
Share of profit of equity-accounted investees, net of tax		419,300	-
Profit before tax		**37,491,309**	**26,973,840**
Income tax expense	**21**	(5,785,454)	(3,861,453)
Profit for the period		**31,705,855**	**23,112,387**
Profit attributable to:			
Owners of the Company		28,590,448	19,741,620
Non-controlling interests		3,115,407	3,370,767
Profit for the period		**31,705,855**	**23,112,387**
Other comprehensive income/ (loss)			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences		7,126,127	1,966,015
Other comprehensive income/ (loss) for the period		**7,126,127**	**1,966,015**
Total comprehensive income for the period		**38,831,982**	**25,078,402**
Total comprehensive income attributable to:			
Owners of the Company		37,941,096	21,377,845
Non-controlling interests		890,886	3,700,557
Total comprehensive income for the period		**38,831,982**	**25,078,402**
Earnings per share			
Basic and diluted earnings per share	**11**	**6.02**	**4.15**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

	Year ended	
	31 December 2017 (unaudited)	**31 December 2016**
Cash flow from operating activities		
Profit (Loss) for the period	**31 705 855**	**23 112 387**
Adjustments for:		
Depreciation and amortization	5 411 790	5 383 473
Other adjustments	2 732 084	2 451 065
Income tax expense/(benefit)	5 785 454	3 861 453
Net finance costs	2 709 267	4 637 007
	48 344 450	**39 445 385**
Changes in:		
Inventories	(36 354 984)	(4 362 329)
Trade and other receivables	(15 552 358)	(8 086 654)
Trade and other payables	16 841 695	(2 373 139)
Cash generated from operating activities	**13 278 803**	**24 623 263**
Income tax paid	(5 785 454)	(2 995 345)
Interest paid	(3 099 456)	(4 054 678)
Net cash generated from operating activities	**4 393 893**	**17 573 240**
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(7 419 687)	(4 118 847)
Acquisition of associates	(3 095 595)	-
Proceeds from sale of property, plant and equipment	112 285	792 132
Net cash used in investing activities	**(10 402 997)**	**(3 326 715)**
Cash flows from financing activities		
Change in loans and borrowings and finance lease	15 670 694	(2 831 247)
Proceeds from issue of shares in subsidiaries	-	12 844
Net cash generated from/(used in) financing activities	**15 670 694**	**(2 818 403)**
Net increase in cash and cash equivalents	**9 661 590**	**11 428 122**
Cash and cash equivalents at 1 January	13 267 974	1 466 304
Effect of movements in exchange rates on cash held	-	373 548
Cash and cash equivalents at 31 December	**22 929 564**	**13 267 974**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Contributions by owners	Translation reserve	Accumulated losses	Total		
Balance at 1 January 2016	**34,838**	**123,685,006**	**8,916,387**	**(726,947)**	**(86,896,515)**	**45,012,769**	**6,682,077**	**51,694,846**
Total comprehensive income								
Profit for the year	-	-	-	-	19,741,620	19,741,620	3,370,767	23,112,387
Foreign currency translation differences	-	-	-	1,636,225	-	1,636,225	329,790	1,966,015
Total comprehensive income for the year	**-**	**-**	**-**	**1,636,225**	**19,741,620**	**21,377,845**	**3,700,557**	**25,078,402**
Other changes in equity								
Issue of share capital in subsidiaries	-	-	-	-	-	-	12,844	12,844
Balance at 31 December 2016 / 1 January 2017	**34,838**	**123,685,006**	**8,916,387**	**909,278**	**(67,154,895)**	**66,390,614**	**10,395,478**	**76,786,092**
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	28,590,448	28,590,448	3,115,407	31,705,855
Other comprehensive income								
Foreign currency translation differences	-	-	2,369,931	5,292,742	1,687,975	9,350,648	(2,224,521)	7,126,127
Total other comprehensive income			**2,369,931**	**5,292,742**	**1,687,975**	**9,350,648**	**(2,224,521)**	**7,126,127**
Total comprehensive income	**-**	**-**	**2,369,931**	**5,292,742**	**30,278,423**	**37,941,096**	**890,886**	**38,831,982**
Transactions with owners, recorded directly in equity		(370,405)				(370,405)		(370,405)
Contributions by and distributions to owners								
Acquisition of non-controlling interests	-	-	-	(439,137)	1,427,432	988,295	(3,095,595)	(2,107,300)
Dividends	-	-	-	-	-	-	(628,291)	(628,291)
Balance at 31 December 2017 (unaudited)	**34,838**	**123,314,601**	**11,286,318**	**5,762,883**	**(35,449,040)**	**104,949,601**	**7,562,477**	**112,512,077**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Note 1. Reporting entity

These preliminary unaudited financial statements are the consolidated financial statements of Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd) (the "Company") and its subsidiaries (together "the Group").

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, Tax Identification Number 12201949I.

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 2017	31 December 2016
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%	91.05%
Vinaria Bardar SA	Republic of Moldova	54.61%	54.61%

The structure of the Group as at 31 December 2017 is as follows:

- Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd) 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 52.52%. 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 54.61%.

Note 2. Basis of accounting

These preliminary unaudited consolidated financial statements as at and for the years ended 31 December 2017 (hereinafter "consolidated financial statements" or "financial statements") have been prepared in accordance with International Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU").

Details of the Group's accounting policies are included in Note 6. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Note 3. Functional and presentation currency

The consolidated financial statements are presented in Romanian Leu ("RON") as the Group is listed on the Bucharest Stock Exchange (BVB), beginning 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.

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

- Purcari Wineries Public Company Limited, 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 date. 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 this interim financial information, management makes judgements, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Note 5. Basis of measurement

Management has prepared this condensed consolidated interim financial information under the going concern basis.

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for the biological assets (grapes on vines) which are measured at fair value less costs to sell.

Note 6. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated non-statutory financial statements.

a) Basis of consolidation

(i) Subsidiaries

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

(ii) Loss of control

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

(iii) Non-controlling interests

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

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

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

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.

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.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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 income.

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 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

The Group classifies non-derivative financial assets into the loans and receivables category.

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

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date when they are originated. Financial liabilities are initially recognised on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables comprise loan receivables, trade receivables and cash and cash equivalents.

Loan receivables

Loan receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables

Trade receivables include mainly the amount from sale of goods and services delivered until reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(iii) Non-derivative financial liabilities – measurement

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.

(iv) 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.

h) Impairment

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and are reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(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.

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 recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of the revenue can be measured reliably. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Services

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.

l) Governments grants

The Group recognises an unconditional government grant related to a grape vine 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

(i) Determining whether an arrangement contains a lease

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

(ii) Leased assets

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

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

(iii) Lease payments

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

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

(iv) Rental income

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

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.

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

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.

(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) Standards, Interpretations and amendments to published Standards that are not yet effective -

The following new Standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2017 and have not been applied in preparing these financial statements:

- IFRS 9 *Financial Instruments (2014)* (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

  This Standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

  Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

  A financial asset is measured at amortized cost if the following two conditions are met:

  - the assets is held within a business model whose objective is to hold assets in order 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 outstanding.

  In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

  For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on de-recognition.

  The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

  IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

  The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

  Extensive additional disclosures regarding an entity’s risk management and hedging activities are required.

  The Company has analysed the provisions of IFRS 9 and concluded that it will not have material impact on the consolidated financial statements. The classification and measurement of the Group’s financial instruments will not change under IFRS 9 because of the nature of the Group’s operations and the types of financial instruments that it holds.

- IFRS 15 *Revenue from contracts with customers* (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.) Clarifications to IFRS 15 Revenue from Contracts with Customers is not yet endorsed by the EU but IFRS 15 Revenue from Contracts with Customers including Effective Date of IFRS 15 have been endorsed by the EU.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Company has performed an analysis of its significant contracts and concluded that the new Standard, when initially applied, will not have material impact on the consolidated financial statements. The management estimates that the timing and measurement of the Group's revenues will not change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

- IFRS 16 *Leases* (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.) This pronouncement is not yet endorsed by the EU.

  IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

  Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

  The new Standard introduces a number of limited scope exceptions for lessees which include:
  - leases with a lease term of 12 months or less and containing no purchase options, and
  - leases where the underlying asset has a low value ('small-ticket' leases).

  Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

  The Company has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for the leases of land on which are planted the grape vines of the subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL. The Company has not yet prepared an analysis of the expected quantitative impact of the new Standard.

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The effective date has not yet been determined by the IASB, but early adoption is permitted.)

  The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

  - a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
  - a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  The Company does not expect that the amendments, when initially applied, will have material impact on the consolidated financial statements as the Group does not expect to have such transactions.

- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.)

  The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group because the Group already measures future taxable profit in a manner consistent with the Amendments.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (Effective for annual periods beginning on or after 1 January 2018).

  The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

  The Company does not expect that the Interpretation, when initially applied, will have material impact on the consolidated financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Note 6. Property, plant and equipment

During the year ended 31 December 2017, the Group acquired assets with a cost of RON 7,419,687, mainly equipment. During this period the depreciation and amortisation amounted to RON 5,411,790.

Note 7. 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.

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.

As at 31 December 2017 and 31 December 2016 interests in equity-accounted investees are as follows:

	31 December 2017 (unaudited)	31 December 2016
Investment in IM Glass Container Company SA Group	7,337,181	-
Investment in Ecosmart Union SA	120,555	-
Total interests in equity-accounted investees	**7,457,736**	**-**

IM Glass Container Company SA group (provisional amounts)

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

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.

Note 8. Trade and other receivables

As at 31 December 2017 and 31 December 2016 trade and other receivables are as follows:

	31 December 2017 (unaudited)	31 December 2016
Trade receivables	**43,979,291**	**31,219,562**
Non-financial receivables		
VAT receivable	2,087,865	1,005,570
Other taxes receivable	915,889	114,216
Other receivables	1,731,961	1,253,421
Excise duties receivable	493,840	63,719
Total non-financial receivables	**5,229,555**	**2,436,926**
Total trade and other receivables	**49,208,846**	**33,656,488**

Note 9. Inventories

As at 31 December 2017 and 31 December 2016 inventories are as follows:

	31 December 2017 (unaudited)	**31 December 2016**
Raw materials		
Distilled alcohol	14,863,296	9,776,783
Wine materials	3,680,855	338,259
Other raw materials	1,078,242	189,599
Total raw materials	**19,622,393**	**10,304,641**
Other materials		
Packaging materials	8,059,836	5,937,500
Other materials	2,384,014	1,440,087
Chemicals	1,370,124	585,302
Total other materials	**11,813,973**	**7,962,889**
Semi-finished production		
Wine in barrels	43,777,484	26,762,209
Divin in barrels	5,995,380	2,245,247
Brandy in barrels	10,287	9,735
Juice	-	-
Total semi-finished production	**49,783,151**	**29,017,191**
Bottled finished goods		
Wine	5,556,651	3,266,355
Divin	276,851	175,988
Other finished goods	31,635	4,806
Brandy	3,884	1,684
Total bottled finished goods	**5,869,021**	**3,448,833**
Total inventories	**87,088,538**	**50,733,554**

Note 10. Cash and cash equivalents

As at 31 December 2017 and 31 December 2016 cash and cash equivalents were as follows:

	31 December 2017 (unaudited)	**31 December 2016**
Bank accounts	22,838,188	13,119,235
Petty cash	91,376	148,739
Total cash and cash equivalents	**22,929,564**	**13,267,974**

Note 11. 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:

	31 December 2017 (unaudited)	31 December 2016
Profit/ (loss) for the year, attributable to owners of the Company	28,590,448	19,741,620
Weighted-average number of ordinary shares outstanding	4,751,295	4,751,295
Earnings / (loss) per share – basic and diluted	**6.02**	**4.15**

The Group has not issued any potentially dilutive instruments.

Note 12. Borrowings and finance lease

This note provides information about the contractual terms of the Group's interest-bearing liabilities, borrowings and finance lease, which are measured at amortized cost.

As at 31 December 2017 and 31 December 2016 borrowings and finance lease were as follows:

	31 December 2017 (unaudited)	31 December 2016
Non-current liabilities		
Secured bank loans	35,600,267	10,690,742
Finance lease liabilities	100,156	407,366
Total non-current portion	**35,700,422**	**11,098,108**
Current liabilities		
Current portion of secured bank loans	38,435,843	47,287,117
Current portion of finance lease liabilities	166,608	244,796
Unsecured loans from related parties	-	2,158
Total current portion	**38,602,451**	**47,534,071**
Total borrowings and finance lease	**74,302,873**	**58,632,179**

Terms and debt repayment schedules

As at 31 December 2017 and 31 December 2016 terms and conditions of outstanding loans were as follows:

					31 December 2017 (unaudited)			31 December 2016		
Type of loan	**Lender**	**Currency**	**Nominal interest rate**	**Year of maturity**	**Non-current**	**Current (classified from non-current)**	**Current**	**Non-current**	**Current (classified from non-current)**	**Current**
Secured bank loan	BC Moldova Agroindbank SA (1)	MDL	14.55%	2018	-	-	-	-	2,062,859	1,660
Secured bank loan	BC Moldova Agroindbank SA (2)	EUR	7.50%	2017	-	-	-	-	-	768,758
Secured bank loan	BC Moldova Agroindbank SA (3)	EUR	6.00%	2018	-	-	2,720,047	-	653,262	3,196,277
Secured bank loan	BC Moldova Agroindbank SA (4)	MDL		2017	-	-	-	-	-	19,296
Secured bank loan	BC Moldova Agroindbank SA (5)	USD	7.50%	2018	-	-	330,778	-	363,637	1,321
Secured bank loan	BC Moldova Agroindbank SA (6)	MDL	11.00%	2018	-	-	2,607,183	-	49,458	2,790,066
Secured bank loan	BC Moldova Agroindbank SA (7)	EUR	7.50%	2018	-	-	1,172,645	-	1,784,884	2,768,704
Secured bank loan	BC Moldova Agroindbank SA (8)	EUR	7.75%	2017	-	-	-	-	-	1,515,148
Secured bank loan	BC Moldova Agroindbank SA (9)	USD	7.75%	2017	-	-	-	-	-	3,736,870
Secured bank loan	BC Moldova Agroindbank SA (10)	EUR	7.75%	2017	-	-	-	-	-	1,864,530
Secured bank loan	BC Moldova Agroindbank SA (11)	MDL	12.00%	2017	-	-	-	-	-	3,164,907
Secured bank loan	BC Moldova Agroindbank SA (12)	MDL	14.50%	2019	1,466,464	-	3,777,325	-	4,915,707	214,760
Secured bank loan	BC Moldova Agroindbank SA (13)	EUR	6.00%	2019	2,785,421	-	2,509,758	-	5,241,592	15,337
Secured bank loan	BC Moldova Agroindbank SA (14)	EUR	4.35%	2020	11,021,849	-	181,143	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (15)	MDL	9.75%	2020	1,360,871	-	489,276	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (16)	MDL	9.60%	2020	2,134,353	-	931,021	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (17)	EUR	4.35%	2019	6,571,307	-	1,408,270	-	-	-

Terms and debt repayment schedules (continued)

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2017 (unaudited)			31 December 2016		
					Non-current	**Current (classified from non-current)**	**Current**	**Non-current**	**Current (classified from non-current)**	**Current**
Secured bank loan	Ministry of Finance of Moldova (project financed by EIB) (1)	EUR	3.50%	2020	2,388,694	-	398,120	2,249,436	-	449,888
Secured bank loan	Ministry of Finance of Moldova (project financed by EIB) (2)	EUR	3.50%	2021	1,393,407	-	928,938	-	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (1)	USD	5.00%	2018	-	-	1,211,210	1,338,029	-	1,765,063
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (2)	USD	5.00%	2019	-	-	583,725	1,286,622	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (3)	USD	4.50%	2020	2,127,343	-	1,297,177	-	-	-
Secured bank loan	UNICREDIT BANK SA (1)	RON	ROBOR ON+2.65%	2018	-	-	7,000,000	-	-	8,255,141
Secured bank loan	UNICREDIT BANK SA (2)	RON	ROBOR ON+1.85%	2018	-	-	-	-	-	94,759
Secured bank loan	UNICREDIT BANK SA (3)	RON	ROBOR 1M+2.95%	2020	242,069	-	145,242	387,310	-	145,241
Secured bank loan	UNICREDIT BANK SA (4)	RON	ROBOR 1M+1.95%	2021	4,108,489	-	1,620,293	5,429,345	-	1,447,992
Secured bank loan	UNICREDIT BANK SA (5)	EUR	EURIBOR 1M+1.6%	2018	-	-	9,123,693	-	-	-
Unsecured loan from related party	BOSTAN VICTOR MAXIM	MDL		2010	-	-	-	-	-	2,158
Finance lease liabilities		EUR		2017-2019	100,155	-	166,607	407,366	-	244,796
Total borrowings and finance lease					**35,700,422**		**38,602,451**	**11,098,108**	**15,071,399**	**32,462,672**

Note 13. Trade and other payables

As at 31 December 2017 and 31 December 2016 trade and other payables are as follows:

	31 December 2017 (unaudited)	31 December 2016
Financial payables		
Trade accounts payable	31,076,044	16,913,297
Payables for acquisition of non-controlling interests	1,926,293	-
Total financial payables	**33,002,337**	**16,913,297**
Non-financial payables		
Advances received	216,609	337,736
Other payables	1,624,362	-
Payables to state budget	741,821	1,416,245
Total non-financial payables	**2,582,792**	**1,753,981**
Total trade and other payables	**35,585,129**	**18,667,278**

Note 14. Revenue

Revenues for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Year ended	
	31 December 2017 (unaudited)	31 December 2016
Sales of finished goods		
Wine	121,002,396	87,406,624
Divin	16,965,548	14,093,218
Brandy	269,650	310,472
Total sales of finished goods	**138,237,594**	**101,810,314**
Sales of other goods		
Other	3,130,910	1,581,834
Wine materials	735,490	293,322
Merchandise	3,221,284	1,936,864
Agricultural products	-	44,205
Total sales of other goods	**7,087,684**	**3,856,225**
Services		
Hotel and restaurant services	1,498,015	1,009,568
Agricultural services	187,632	84,135
Total services	**1,685,647**	**1,093,703**
Total revenue	**147,010,925**	**106,760,242**

The management monitors the performance of the Group as a single segment, however it analyses the gross margin per categories of products, as presented above.

Sales of finished goods by brand and geographic region for the year ended 31 December 2017 are as follows:

	Bostavan wine (unaudited)	Purcari Wine (unaudited)	Crama Ceptura wine (unaudited)	Bardar divin and brandy (unaudited)	Total (unaudited)
Romania	857,229	28,824,762	21,444,853	-	51,126,845
Republic of Moldova	5,607,934	15,554,558	-	11,783,788	32,946,280
Poland	14,036,265	277,493	148,561	26,325	14,488,645
Belarus	831,627	192,850	-	5,037,518	6,061,996
Czech Rep. and Slovakia	8,485,774	253,822	-	-	8,739,596
Asia	3,694,236	5,955,539	433,514	2,206	10,085,495
Baltic countries	4,904,184	14,094	-	227,142	5,145,419
Ukraine	2,771,115	2,261,879	-	-	5,032,995
Other	2,679,383	912,581	860,141	158,219	4,610,324
Total	**43,867,748**	**54,247,578.87**	**22,887,069**	**17,235,198**	**138,237,594**

Sales of finished goods by brand and geographic region for the year ended 31 December 2016 are as follows:

	Bostavan wine	**Purcari wine**	**Crama Ceptura wine**	**Bardar divin and brandy**	**Total**
Romania	1,091,424	15,514,972	13,571,752	-	30,178,148
Republic of Moldova	3,081,072	12,032,397	-	5,831,074	20,944,543
Poland	13,855,836	155,494	242,324	-	14,253,654
Belarus	305,588	22,914	-	7,731,846	8,060,348
Czech Republic and Slovakia	7,379,777	393,583	-	-	7,773,360
Asia	3,714,717	2,458,000	269,209	11,817	6,453,743
Baltic countries	4,697,473	-	-	263,901	4,961,374
Ukraine	1,707,782	1,400,753	-	-	3,108,535
Other	4,092,155	827,139	592,263	565,052	6,076,609
Total	**39,925,824**	**32,805,252**	**14,675,548**	**14,403,690**	**101,810,314**

Note 15. Cost of sales

Cost of sales for the years ended 31 December 2017 and 31 December 2016 is as follows:

	Year ended	
	31 December 2017 (unaudited)	**31 December 2016**
Sales of finished goods		
Wine	68,416,084	44,007,472
Divin	7,359,644	5,086,153
Brandy	165,506	205,310
Total sales of finished goods	**75,941,234**	**49,298,935**
Sales of other goods		
Other	1,181,411	1,256,465
Wine materials	749,473	300,945
Merchandise	3,019,766	1,439,794
Agricultural products	-	39,078
Total sales of other goods	**4,950,650**	**3,036,282**
Services		
Hotel and restaurant services	1,529,480	1,055,270
Agricultural services	194,639	80,616
Total services	**1,724,118**	**1,135,886**
Total cost of sales	**82,616,002**	**53,471,103**

Note 16. Marketing and sales expenses

Marketing and sales costs for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Year ended	
	31 December 2017 (unaudited)	**31 December 2016**
Marketing and sales	5,346,232	5,031,788
Transportation expenses	2,293,533	2,256,424
Employee benefits	1,704,444	1,606,859
Certification of production	406,595	287,152
Other expenses	265,202	380,507
Total marketing and sales expenses	**10,016,006**	**9,562,730**

Note 17. General and administrative expenses

General and administrative expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Year ended	
	31 December 2017 (unaudited)	**31 December 2016**
Employee benefits	6,871,582	5,523,029
Depreciation	790,060	716,968
Amortization	38,946	34,357
Professional fees	1,098,041	354,591
Taxes and fees	867,566	1,667,243
Travel	890,091	435,658
Rent	324,424	467,169
Bank charges	110,556	355,415
Repairs and maintenance	521,567	506,422
Communication	283,594	179,551
Fuel	189,773	119,393
Penalties	109,598	58,473
Insurance	106,869	131,892
Canteen services	134,968	127,897
Materials	112,742	70,285
Other	1,664,594	1,052,860
Total general and administrative expenses	**14,114,971**	**11,801,203**

During the year ended 31 December 2017 the company prepared for IPO on Bucharest Stock Exchange. To successfully realize this, the company had to support some additional non-recurring expenses like professional fees, traveling and communications, amounting RON 1,222,984.

Note 18. Other operating income

Other operating income for the years ended 31 December 2017 and 31 December 2016 is as follows:

	Year ended	
	31 December 2017 (unaudited)	**31 December 2016**
Release of deferred income	261,141	405,810
Gains on write-off of trade and other payables	-	263,056
Compensation from insurance company	70,442	188,530
Rent income	34,656	33,107
Net gain from sale of other materials	635,587	41,712
Other	315,267	291,368
Total other operating income	**1,317,093**	**1,223,583**

Note 19. Other operating expenses

Other operating expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Year ended	
	31 December 2017 (unaudited)	31 December 2016
Change in provisions	2,054,982	1,922,786
Impairment of trade receivables, net	72,554	440,013
Impairment of loans receivable, net	(26,281)	(73,739)
Impairment of other receivables, net	-	(82,637)
Impairment of property, plant and equipment, net	(168,966)	(116,126)
Unallocated overheads	218,283	296,870
Adjustment to fair value of harvest of grapes	(367,746)	(942,530)
Net gain from disposal of property, plant and equipment and intangible assets	(18,905)	(166,671)
Other	35,842	171,152
Total other operating expenses	**1,799,763**	**1,449,118**

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 2017 and 31 December 2015 is as follows:

	2017	2016
Balance at 1 January	**3,447,034**	**1,357,687**
Provisions made during the year	2,054,982	1,922,786
Effect of movements in exchange rates	(411,504)	166,561
Balance at 31 December	**5,090,512**	**3,447,034**

Note 20. Net finance cost

The net finance costs for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Year ended	
	31 December 2017 (unaudited)	31 December 2016
Interest income	60,232	158,309
Foreign exchange gain	1,246,643	-
Finance income	**1,306,875**	**158,309**
Foreign exchange loss	(916,686)	(247,133)
Interest expense	(3,099,456)	(4,637,007)
Finance costs	**(4,016,142)**	**(4,884,140)**
Net finance costs	**(2,709,267)**	**(4,725,831)**

Note 21. Income tax

Income tax recognized in profit or loss for the years ended 31 December 2017 and 31 December 2016 is as follows:

	Year ended	
	31 December 2017 (unaudited)	**31 December 2016**
Current tax		
Current tax expense	5,785,454	4,244,466
Total current tax expense	**5,785,454**	**4,244,466**
Deferred tax		
Origination and reversal of temporary differences	-	(383,013)
Total deferred tax expense/ (benefit)	**-**	**(383,013)**
Total income tax expense	**5,785,454**	**3,861,453**

Note 22. Acquisition of non-controlling interests

During the year ended 31 December 2017 the Group increased its shareholding in the subsidiary Vinaria Purcari SRL from 91.05% to 100% by acquiring shares from non-controlling interests of the subsidiary.

The following table summarizes the effect of changes in the non-controlling interests in Vinaria Purcari SRL:

	Year ended 31 December 2017 (unaudited)
Carrying amount of non-controlling interests acquired	3,095,595
Purchase price	2,107,300
Increase in equity attributable to owners of the Company	**988,295**

Note 23. Related parties

The Group's related parties for the year ended 31 December 2017 were the following:

Name of the entity	Relationship with the Company
Emerging Europe Growth Fund II	Ultimate controlling party
Lorimer Ventures Limited	Majority shareholder of the Company
Amboselt Universal Inc.	Shareholder of the Company
Key management personnel	Members of board of directors of the Company, CEOs, CFO and Sales Director of the Group companies
Victor Bostan	CEO and Chairman of the Board of Directors, majority shareholder of Amboselt Universal Inc., minority shareholder of the Company 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 the management through a significant shareholding
Agrovinexpo SRL	Entity controlled by Victor Bostan through a significant shareholding
Purcari Vin SRL	Entity controlled by Victor Bostan through a significant shareholding
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Art Vin SRL	Entity controlled by Victor Bostan through a significant shareholding
Elkas Home SRL	Entity controlled by a shareholder of Amboselt Universal Inc.
Ecosmart Union SA	Associate
IM Glass Container Company SA	Associate
Glass Container Company-SP SRL	Subsidiary of the associate IM Glass Container Company SA

Transactions with key management personnel and other related parties

	Transaction value for twelve month period ended – income/(expenses)		Outstanding balance – receivable/(payable) as at	
	31 December 2017 (unaudited)	31 December 2016	31 December 2017 (unaudited)	31 December 2016
Amboselt Universal Inc				
- Impairment of trade receivables		(22,906)		
Victor Bostan				
- Other receivables		-		90,453
- Borrowings		-		(2,154)
- Accommodation expenses	(707,987)	(571,759)		-
- Salaries and bonuses for performance	(275,564)	(402,449)	(11,734)	(25,349)
Victoriavin SRL				
- Other receivables		-		604,437
- Loans receivable, gross		-	1,292,286	2,892,920
- Allowance for impairment of loans receivable		73,741		(51,968)
- Reversal of impairment of loans receivable		-		-
- Trade payables		-	(309,205)	(327,177)
- Rent expenses	(373,964)	(333,727)		-
- Interest income	60,232	158,309		-
IM Glass Container Company SA				
- Trade receivables		-	110,225	-
- Acquisition of inventories	(6,306,350)	-		-
- Trade payables		-	(4,191,505)	-
- Sales of merchandise	157,884	-		-
Glass Container Company-SP SRL				
- Acquisition of inventories	(1,928,011)	-		-
- Trade payables		-	(985,445)	-
Agro Sud Invest SRL				
- Agricultural services	(2,640,719)	(1,360,428)		-
- Trade payables		-	(274,446)	(70,396)
BSC Agro SRL				
- Agricultural services	(4,599,290)	(2,312,773)		-
- Trade payables		-	(446,148)	(73,077)
- Transportation services	13,731	29,338		-
- Sales of merchandise	61,261	6,921		-
- Other Receivables			117,188	
Elkas Home SRL				
- Trade receivables		-		129,000
- Other expenses		(244,809)		-
Ecosmart Union SA				
- Trade payables		-		-
- Other expenses	(851,650)	-	(182,719)	-
Key management personnel				
- Salaries and bonuses for performance	(2,223,728)	(1,249,260)	(560,663)	(62,117)

Note 24. Contingencies

(i) Litigation 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.

(ii) 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 late payment interest.

Tax audits consists of detailed verifications of the accounting records of tax payers. 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 in these consolidated financial statements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Note 25. EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") is calculated as profit/(loss) for the period (as presented in the condensed 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 Note 6).

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. As a consequence, 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 2017 and 31 December 2016 was as follows:

	Indicator	**Note**	**Year ended 31 December 2017 (unaudited)**	**Year ended 31 December 2016**
Adjusted EBITDA	**EBITDA**		**46,835,350**	**37,083,144**
Non-recurring G&A expenses related to IPO		**17**	(1,222,984)	-
EBITDA	**EBITDA**		**45,612,366**	**37,083,144**
Less: depreciation			(5,331,026)	(5,310,010)
Less: amortization			(80,764)	(73,463)
Result from operating activities			**40,200,576**	**31,699,671**
Less: net finance costs		**20**	(2,709,267)	(4,725,831)
Earnings Before Income Taxes	**EBIT**		**37,491,309**	**26,973,840**
Less: income tax		**21**	(5,785,454)	(3,861,453)
Profit for the period			**31,705,855**	**23,112,387**

Note 26. Subsequent events

At 04 January 2018 the company increased its authorized share capital to 200.000 EUR divided into 20.000.000 ordinary shares with nominal value of 0,01 EUR each, by making subdivision and issue of fully paid bonus shares, made out of the share premium reserve.
At 15 February 2018 the company made a secondary IPO and its shares were admitted for trading at Bucharest Stock Exchange.