

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

PRELIMINARY UNAUDITED FINANCIAL STATEMENTS
31 December 2017

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31 December 2017

	Note	2017 US\$	2016 US\$
Revenue	5	447.663	150.949
Administration expenses	6	(517.214)	(70.576)
Other expenses	7	(151.694)	(164)
Operating profit/(loss)		(221.245)	80.209
Net finance costs	8	(30.671)	(81.436)
(Loss) before tax		(251.916)	(1.227)
Tax	9	(32.981)	(19.477)
Net loss for the year		(284.897)	(20.704)
Other comprehensive income		-	-
Total comprehensive income for the year		(284.897)	(20.704)

The notes on pages 10 to 18 form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION
31 December 2017

	Note	2017 US\$	2016 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	10	27.835.758	27.315.758
Non-current loans receivable	11	<u>-</u>	<u>-</u>
		<u>27.835.758</u>	<u>27.315.758</u>
Current assets			
Trade and other receivables	12	876.088	319.487
Loans receivable	11	244.901	2.172.145
Cash and cash equivalents	13	537.519	198.416
		<u>1.658.508</u>	<u>2.690.048</u>
Total assets		<u>29.494.266</u>	<u>30.005.806</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	10.455	10.455
Other reserves	15	43.574.511	43.574.511
Accumulated losses		<u>(14.756.675)</u>	<u>(14.377.333)</u>
Total equity		<u>28.828.291</u>	<u>29.207.633</u>
Current liabilities			
Trade and other payables	16	609.167	596.098
Current tax liabilities	17	56.808	202.075
		<u>665.975</u>	<u>798.173</u>
Total equity and liabilities		<u>29.494.266</u>	<u>30.005.806</u>

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

STATEMENT OF CHANGES IN EQUITY
31 December 2017

	Share capital US\$	Share premium US\$	Capital reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2016	10.455	25.681.684	16.628.753	(14.356.629)	27.964.263
Net loss for the year	-	-	-	(20.704)	(20.704)
Shareholders capital contribution	-	-	1.264.074	-	1.264.074
Balance at 31 December 2016/ 1 January 2017	10.455	25.681.684	17.892.827	(14.377.333)	29.207.633
Net loss for the year	-	-	-	(284.897)	(284.897)
Shareholders capital contribution	-	-	-	(94.445)	(94.445)
Balance at 31 December 2017	10.455	25.681.684	17.892.827	(14.756.675)	28.828.291

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.

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

STATEMENT OF CASH FLOWS
31 December 2017

	Note	2017 US\$	2016 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before tax		(251.916)	(1.227)
Adjustments for:			
Unrealised exchange loss		-	21.020
Interest income		(49.286)	(150.949)
Interest expense	8	-	3.293
Impairment charge - loans receivable		74.501	164
		(226.701)	(127.699)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(556.601)	(39.266)
(Decrease)/increase in trade and other payables		13.069	(679.918)
Cash used in operations		(770.233)	(846.883)
Interest received		-	150.949
Tax paid		(203.463)	(14.416)
Net cash used in operating activities		(973.696)	(710.350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	10	(520.000)	(2.576.363)
Other shareholders capital contribution		(94.445)	-
Loans repayments received		1.927.244	2.228.468
Net cash (used in)/generated from investing activities		1.312.799	(347.895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange loss		-	(21.020)
Interest paid		-	(3.293)
Capital contribution		-	1.264.074
Net cash generated from/(used in) financing activities		-	1.239.761
Net increase in cash and cash equivalents		339.103	181.516
Cash and cash equivalents at beginning of the year		198.416	16.900
Cash and cash equivalents at end of the year	13	537.519	198.416

The notes on pages 10 to 18 form an integral part of these financial statements.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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. 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.

Basis of preparation

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.

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

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Company.

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.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Revenue recognition

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

- **Interest income**

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

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

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.

3. 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:

3.1 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Financial risk management (continued)

Fair value estimation

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

4. Critical accounting estimates and judgements

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

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

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

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company 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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NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

5. Revenue

	2017	2016
	US\$	US\$
Wine	389.996	-
Loan interest income	49.286	150.949
Other	8.381	-
	<u>447.663</u>	<u>150.949</u>

6. Administration expenses

	2017	2016
	US\$	US\$
Registrar of Companies annual levy	368	394
Sundry expenses	13.749	-
Auditors' remuneration	33.147	8.134
Auditors' remuneration for other assurance services	172.458	44.979
Legal and professional	28.113	-
Travelling	92.856	-
Rent	68.784	-
Other	107.739	17.069
	<u>517.214</u>	<u>70.576</u>

7. Other expenses

	2017	2016
	US\$	US\$
Impairment charge – trade and other receivable	151.694	164
	<u>151.694</u>	<u>164</u>

8. Finance costs

	2017	2016
	US\$	US\$
Foreign exchange transaction losses	19.350	67.693
Interest expense	-	3.293
Sundry finance expenses	11.321	10.450
	<u>30.671</u>	<u>81.436</u>

9. Tax

	2017	2016
	US\$	US\$
Corporation tax - current year	32.981	19.477
Charge for the year	<u>32.981</u>	<u>19.477</u>

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NOTES TO THE FINANCIAL STATEMENTS

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9. Tax (continued)

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

	2017 US\$	2016 US\$
(Loss) before tax	<u>(251.916)</u>	<u>(1.227)</u>
Tax calculated at the applicable tax rates	(31.489)	(153)
Tax effect of expenses not deductible for tax purposes	61.473	17.860
Tax effect of allowances and income not subject to tax	(1)	(1)
10% additional charge	<u>2.998</u>	<u>1.771</u>
Tax charge	<u>32.981</u>	<u>19.477</u>

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%.

10. Investments in subsidiaries

	2017 US\$	2016 US\$
Balance at 1 January	27.315.758	24.739.395
Additions	<u>520.000</u>	<u>2.576.363</u>
Balance at 31 December	<u>27.835.758</u>	<u>27.315.758</u>

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2017 Holding %	2016 Holding %	2017 US\$	2016 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	91.05	<u>5.562.456</u>	<u>5.042.456</u>
					<u>27.835.758</u>	<u>27.315.758</u>

11. Non-current loans receivable

	2017 US\$	2016 US\$
Loans to own subsidiaries (Note 18.3)	-	1.306.393
Loans to related companies (Note 18.3)	<u>244.901</u>	<u>865.752</u>
	244.901	2.172.145
Less current portion	<u>(244.901)</u>	<u>(2.172.145)</u>
Non-current portion	<u>-</u>	<u>-</u>

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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11. Non-current loans receivable (continued)

The loans to related companies are denominated in United States Dollars, bear interest at the rate of 4% per annum and are repayable by 31.03.2018.

The exposure of the Company to credit risk in relation to loans receivable is reported in note 3 of the financial statements.

12. Trade and other receivables

	2017	2016
	US\$	US\$
Receivables from related companies (Note 18.2)	28.663	140.459
Other receivables	847.425	179.028
	876.088	319.487

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.

13. Cash and cash equivalents

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

	2017	2016
	US\$	US\$
Cash at bank and in hand	537.519	198.416
	537.519	198.416

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.

14. Share capital

	2017	2017	2016	2016
	Number of	€	Number of	€
	shares		shares	
Authorised				
Ordinary shares of €0.00171 each	4.751.295	8.125	4.751.295	8.125
		US\$		US\$
Issued and fully paid				
Balance at 1 January	4.751.295	10.455	4.751.295	10.455
Balance at 31 December	4.751.295	10.455	4.751.295	10.455

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 December 2017

15. Other reserves

	Share premium US\$	Capital reserve US\$	Total US\$
Balance at 1 January 2016	25.681.684	16.628.753	42.310.437
Shareholders capital contribution	-	1.264.074	1.264.074
Balance at 31 December 2016/ 1 January 2017	25.681.684	17.892.827	43.574.511
Shareholders capital contribution	-	-	-
Balance at 31 December 2017	25.681.684	17.892.827	43.574.511

Share premium is not available for distribution.

16. Trade and other payables

	2017 US\$	2016 US\$
Accruals	-	33.929
Other creditors	609.167	79.901
Payables to own subsidiaries (Note 18.4)	-	460.720
Payables to related companies (Note 18.4)	-	21.548
	609.167	596.098

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

17. Current tax liabilities

	2017 US\$	2016 US\$
Corporation tax	56.808	202.075
Special contribution for defence	-	-
	56.808	202.075

18. Related party transactions

The following transactions were carried out with related parties:

18.1 Interest income

	2017 US\$	2016 US\$
Vinaria Purcari SRL	34.423	63.400
Crama Ceptura SRL	-	48.549
Victoriavin SRL	14.863	39.000
	49.286	150.949

18.2 Receivables from related parties (Note 12)

	2017 US\$	2016 US\$
Vinaria Bostavan SRL	28.663	-
Victoriavin SRL	-	140.459
	28.663	140.459

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18.3 Loans to related parties (Note 11)

	2017	2016
	US\$	US\$
Vinaria Bostavan SRL	-	16.866
Vinaria Purcari SRL	-	1.289.527
Crama Ceptura SRL	-	-
Vinaria Bardar SRL	-	322.957
Victoriavin SRL	244.901	542.795
	244.901	2.172.145

18.4 Payables to related parties (Note 16)

	2017	2016
	US\$	US\$
Crama Ceptura	-	198.881
Vinaria Purcari SRL	-	261.839
Vinaria Bardar SRL	-	21.548
	-	482.268

19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017.

20. Commitments

The Company had no capital or other commitments as at 31 December 2017.

21. Events after the reporting period

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.