

**PURCARI WINERIES PUBLIC COMPANY LIMITED**

**PRELIMINARY UNAUDITED  
SEPARATE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**PURCARI WINERIES PUBLIC COMPANY LIMITED**  
**PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS**  
31 December 2023

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**BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors during the financial year that ended on 31 December 2023:**

| <b>Name</b>         | <b>Date of appointment</b>  | <b>Title</b>                           |
|---------------------|---|--|
| Victor Bostan       | Listing date  | Executive Director                     |
| Monica Cadogan      | Listing date (first appointment),<br>re-appointed by the AGM on 28 April 2021 | Non-executive, Independent<br>Director |
| Neil McGregor       | Listing date (first appointment),<br>re-appointed by the AGM on 28 April 2022 | Non-executive, Independent<br>Director |
| Vasile Tofan        | Listing date (first appointment),<br>re-appointed by the AGM on 26 May 2023   | Non-executive Director                 |
| Eugen Comendant     | Elected by the AGM on 26 May 2023   | Non-executive Director                 |
| Raluca Ioana Man    | Elected by the AGM on 26 May 2023   | Non-executive, Independent<br>Director |
| Paula Catalina Banu | Elected by the AGM on 26 May 2023   | Non-executive, Independent<br>Director |

**Chairman of the Board of Directors:** Vasile Tofan, firstly elected by the Board of Directors to this position on 14 June 2018 and re-elected by the Board on 26 May 2023

**Company Secretary:** Inter Jura CY (Services) Limited

**Independent Auditors:** PricewaterhouseCoopers Ltd  
PwC Central, 43 Demostheni Severi Avenue  
1080 Nicosia  
Cyprus

**Registered office:** 1, Lampousas Street  
1095 Nicosia  
Cyprus

**Registration number:** HE201949

**PURCARI WINERIES PUBLIC COMPANY LIMITED**  
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
for the year ended 31 December 2023

|   | Note | 2023<br>US\$            | 2022<br>US\$       |
|---|------|-------------------------|--------------------|
| <b>Revenue</b>  | 6    | <b>7,862,570</b>        | 7,621,725          |
| Administration expenses   | 7    | <u>(2,549,643)</u>      | <u>(1,411,715)</u> |
| <b>Operating profit</b>   |      | <b>5,312,927</b>        | 6,210,010          |
| Finance income  |      | 1,177,432               | 53,896             |
| Finance costs   |      | <u>(2,342)</u>          | <u>(365,717)</u>   |
| <b>Net finance income/(costs)</b>                                     | 8    | <b><u>1,175,090</u></b> | <u>(311,821)</u>   |
| <b>Profit before tax</b>  |      | <b>6,488,017</b>        | 5,898,189          |
| Tax expense   | 9    | <u>(225,759)</u>        | <u>(199,029)</u>   |
| <b>Net profit for the year</b>  |      | <b>6,262,258</b>        | 5,699,160          |
| <b>Other comprehensive income</b>                                     |      | <u>-</u>                | <u>-</u>           |
| <b>Total comprehensive income for the year attributable to owners</b> |      | <b><u>6,262,258</u></b> | <u>5,699,160</u>   |

*The notes on pages 10 to 26 form an integral part of these financial statements*

**PURCARI WINERIES PUBLIC COMPANY LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2023

|                                     | Note | 2023<br>US\$             | 2022<br>US\$             |
|-------------------------------------|------|--------------------------|--------------------------|
| <b>ASSETS</b>                       |      |                          |                          |
| Investments in subsidiaries         | 10   | 26,086,204               | 26,086,204               |
| Equity instruments at FVTPL         | 11   | 1,426,387                | 997,127                  |
| Loan receivables                    | 12   | <u>5,123,873</u>         | <u>3,185,865</u>         |
| <b>Non-current assets</b>           |      | <b><u>32,636,464</u></b> | <b><u>30,269,196</u></b> |
| Trade and other receivables         | 13   | 3,498,106                | 4,117,265                |
| Loan receivables                    | 12   | 567,111                  | 122,041                  |
| Cash and cash equivalents           | 14   | <u>657,263</u>           | <u>1,323,492</u>         |
| <b>Current assets</b>               |      | <b><u>4,722,480</u></b>  | <b><u>5,562,798</u></b>  |
| <b>Total assets</b>                 |      | <b><u>37,358,944</u></b> | <b><u>35,831,994</u></b> |
| <b>EQUITY</b>                       |      |                          |                          |
| Share capital                       | 15   | 478,721                  | 478,721                  |
| Other reserves                      |      | 27,500,441               | 27,189,497               |
| Retained earnings                   |      | <u>8,122,825</u>         | <u>6,122,260</u>         |
| <b>Total equity</b>                 |      | <b><u>36,101,987</u></b> | <b><u>33,790,478</u></b> |
| Trade and other payables            | 16   | <u>1,256,957</u>         | <u>2,041,516</u>         |
| <b>Current liabilities</b>          |      | <b><u>1,256,957</u></b>  | <b><u>2,041,516</u></b>  |
| <b>Total equity and liabilities</b> |      | <b><u>37,358,944</u></b> | <b><u>35,831,994</u></b> |

**Victor Bostan**

*Chief Executive Officer*

**Victor Arapan**

*Chief Financial Officer*

**PURCARI WINERIES PUBLIC COMPANY LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2023

|  | Share capital<br>US\$ | Share<br>premium<br>US\$ | Treasury<br>Shares<br>Reserves<br>US\$ | Capital<br>reserves<br>US\$ | Retained<br>earnings<br>US\$ | Total<br>US\$      |
|--|-----------------------|--------------------------|--|-----------------------------|------------------------------|--------------------|
| <b>Balance at 1 January 2022</b>                     | <u>478,721</u>        | <u>10,705,033</u>        | <u>(1,360,020)</u>                     | <u>16,963,544</u>           | <u>5,772,661</u>             | <u>32,559,939</u>  |
| <b>Total comprehensive income for the period</b>     |                       |                          |  |                             |                              |                    |
| Net profit for the year                              | -                     | -                        | -                                      | -                           | 5,699,160                    | 5,699,160          |
| <b>Total comprehensive income for the period</b>     | -                     | -                        | -                                      | -                           | <u>5,699,160</u>             | <u>5,699,160</u>   |
| <b>Transactions with owners of the Company</b>       |                       |                          |  |                             |                              |                    |
| Dividends  |                       |                          | -                                      | -                           | (4,302,270)                  | (4,302,270)        |
| Shares vested to employees                           |                       |                          | 880,940                                | -                           | (880,940)                    | -                  |
| Equity-settled share-based payments                  |                       |                          | -                                      | -                           | (166,351)                    | (166,351)          |
| <b>Total transactions with owners of the Company</b> | -                     | -                        | <u>880,940</u>                         | -                           | <u>(5,349,561)</u>           | <u>(4,468,621)</u> |
| <b>Balance at 31 December 2022 /</b>                 |                       |                          |  |                             |                              |                    |
| <b>1 January 2023</b>                                | <u>478,721</u>        | <u>10,705,033</u>        | <u>(479,080)</u>                       | <u>16,963,544</u>           | <u>6,122,260</u>             | <u>33,790,478</u>  |
| <b>Total comprehensive income for the period</b>     |                       |                          |  |                             |                              |                    |
| Net profit for the year                              | -                     | -                        | -                                      | -                           | 6,262,258                    | 6,262,258          |
| <b>Total comprehensive income for the period</b>     | -                     | -                        | -                                      | -                           | <u>6,262,258</u>             | <u>6,262,258</u>   |
| <b>Transactions with owners of the Company</b>       |                       |                          |  |                             |                              |                    |
| Dividends  | -                     | -                        | -                                      | -                           | (4,821,618)                  | (4,821,618)        |
| Treasury shares acquired                             | -                     | -                        | (42,377)                               | -                           | -                            | (42,377)           |
| Shares vested to employees                           | -                     | -                        | 353,321                                | -                           | (353,321)                    | -                  |
| Equity-settled share-based payments                  | -                     | -                        | -                                      | -                           | 913,246                      | 913,246            |
| <b>Total transactions with owners of the Company</b> | -                     | -                        | <u>310,944</u>                         | -                           | <u>(4,261,693)</u>           | <u>(3,950,749)</u> |
| <b>Balance at 31 December 2023</b>                   | <u>478,721</u>        | <u>10,705,033</u>        | <u>(168,136)</u>                       | <u>16,963,544</u>           | <u>8,122,825</u>             | <u>36,101,987</u>  |

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

Share premium is not available for distribution.

On 26 May 2023 the Company's shareholders approved the legal framework for the redemption by the Company of own shares. During 2023 the Company acquired 15,239 own shares (2022: nil). The treasury shares acquired and held in 2023 are enough to finalize in 2024 the Company's Management Incentive Program, which provides for equity-settled share-based payments to management. These shares were recorded under "Treasury Shares Reserves".

During 2023 the Company vested 101,047 (2022: 251,036) shares to its employees with a total value of 353,321 USD (2022: 880,940 USD).

# PURCARI WINERIES PUBLIC COMPANY LIMITED

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### 31 December 2023

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#### *Dividends*

During 2023 the Company declared and paid dividends in amount of RON 0.55 per share (2022: RON 0.51) to all shareholders.

#### *Management incentive program*

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

The Program mainly targets members of the Group's senior management team (except the CEO) and is intended to further align the interests of such Beneficiaries with those of the Company's shareholders.

The Program initially was comprising the following:

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

On 29.03.2021 the shareholders unanimously voted in favor of approval of increase in the issued share capital of the Company from EUR 200,000.00 to EUR 400,000.00 through issuance of 20,000,000 bonus shares to all shareholders of the Company registered in the shareholders' registry on the record date. The free allocation of shares under the share capital increase had an impact in that the number of shares outstanding following such corporate event has doubled, while the market price of the shares was adjusted downward to account for the effects of the event.

As result, at the same shareholders meeting of 29.03.2021, the Board of Directors was authorized to adjust the details of the employee/management incentive plans implemented by the Company and currently active, as well as the contractual arrangements with the beneficiaries of the plans, to account for the effects of the share capital increase proposed as described above.

#### *Share award*

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

On 22 December 2020 the Company's Board of Directors approved the second Long-Term Share Incentive Plan (LTSIP 2) with a total of 101,996 shares to be vested to employees during 2021-2024. As at 31 December 2020 no shares were offered to participants under LTSIP 2. Nevertheless, the Company recognized equity-settled share-based payments expenses under this plan as all details were known and reliable measurement of such expenses could be done. On 30 March 2021 all the shares under LTSIP 2 were offered to participants.

On 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to adjust the Long-Term Share Incentive Plans by increasing the maximum number of shares awarded, as follows:

- a) the maximum number of shares under the LTSIP no. 1 was increased from 409,000 shares to 502,998 shares. The increased number refers to the shares that have not vested prior to 20 July 2021 only;
- b) the maximum number of shares under the LTSIP no. 2 was increased from 101,996 shares to 193,668 shares. The increased number refers to the shares that have not vested prior to 20 July 2021 only.

The share-based payments are recognized at the market value of the shares at the grant date.

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*Stock options*

Based on the authorization received from shareholders in the Annual Shareholders Meetings of 14.06.2018, 25.04.2019 and 29.04.2020, the Board of Directors approved on 25.03.2021 the Long-Term Stock Option Plan (LTSOP) for period 2021-2030, by which the Company may grant to the Participants a maximum number of:

- a) 500,000 PSOs at an Exercise Price of RON 20 per Purcari Share;
- b) 625,000 PSOs at an Exercise Price of RON 30 per Purcari Share; and
- c) 750,000 PSOs at an Exercise Price of RON 40 per Purcari Share, in any combination.

On 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to adjust the stock option plan by increasing the maximum number of stock options on each level, while the corresponding Exercise Prices to be decreased, as follows:

- a) from 500,000 stock options at an Exercise Price of RON 20 per share to 1,000,000 stock options at an Exercise Price of RON 10 per share;
- b) from 625,000 stock options at an Exercise Price of RON 30 per share to 1,250,000 stock options at an Exercise Price of RON 15 per share; and
- c) from 750,000 stock options at an Exercise Price of RON 40 per share to 1,500,000 stock options at an Exercise Price of RON 20 per share.

The exercised period for all stock options expires on 30 March 2030.

During 2023 the participants didn't exercise any rights to purchase shares at Exercise Price (2022: nil).

In 2023 the Company had granted no stock options. As result, the Company is still authorized to grant additional stock option, to new and existing participants, up to:

- (a) 110,000 stock options at an Exercise Price of RON 10 per share;
- (b) 159,200 stock options at an Exercise Price of RON 15 per share; and
- (c) 208,400 stock options at an Exercise Price of RON 20 per share.

The table below summarizes the movements in stock options between 1 January 2022 and 31 December 2023, and weighted average exercise price:

|  | <b>Stock options<br/>with exercise<br/>price at RON<br/>10</b> | <b>Stock options<br/>with exercise<br/>price at RON<br/>15</b> | <b>Stock options<br/>with exercise<br/>price at RON<br/>20</b> | <b>Weighted<br/>average<br/>exercise<br/>price, RON</b> |
|--|--|--|--|---|
| Outstanding Stock Options at 01.01.2023        | <b>772,500</b>   | <b>1,090,800</b>   | <b>1,291,600</b>   | -   |
| Stock options granted during the year          | -  | -  | -  | -   |
| Stock options exercised                        | -  | -  | -  | -   |
| <b>Outstanding Stock Options at 31.12.2023</b> | <b>772,500</b>   | <b>1,090,800</b>   | <b>1,291,600</b>   | -   |
| Outstanding Stock Options at 01.01.2022        | <b>772,500</b>   | <b>1,090,800</b>   | <b>1,291,600</b>   | -   |
| Stock options granted during the year          | -  | -  | -  | -   |
| Stock options exercised                        | -  | -  | -  | -   |
| <b>Outstanding Stock Options at 31.12.2022</b> | <b>772,500</b>   | <b>1,090,800</b>   | <b>1,291,600</b>   | -   |

*The notes on pages 10 to 26 form an integral part of these financial statements*

**PURCARI WINERIES PUBLIC COMPANY LIMITED**  
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**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2023

|   | Note | 2023<br>US\$       | 2022<br>US\$ |
|---|------|--------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                    |              |
| <b>Profit before tax</b>                                      |      | <b>6,488,017</b>   | 5,898,189    |
| Adjustments for:  |      |                    |              |
| Equity-settled share-based payment transactions               | 7    | <b>913,246</b>     | (166,351)    |
| Unrealized exchange loss                                      |      | <b>97,313</b>      | 165,738      |
| Dividend income   | 6    | <b>(7,834,238)</b> | (7,621,302)  |
| Interest income   | 8    | <b>(225,448)</b>   | (50,136)     |
| Change in fair value of equity instruments at FVTPL           | 8    | <b>(429,260)</b>   | (3,760)      |
| <b>Operating loss before working capital changes</b>          |      | <b>(990,370)</b>   | (1,777,622)  |
| <b>Changes in working capital:</b>                            |      |                    |              |
| (Increase)/Decrease in trade and other receivables            |      | <b>(267,870)</b>   | 3,631,119    |
| Increase in trade and other payables                          |      | <b>(784,559)</b>   | 1,011,294    |
| <b>Cash generated from (used in) operations</b>               |      | <b>(2,042,799)</b> | 2,864,791    |
| Interest received   |      | <b>133,472</b>     | 25,571       |
| Tax paid  | 9    | <b>(225,759)</b>   | (199,029)    |
| <b>Net cash generated from (used in) operating activities</b> |      | <b>(2,135,086)</b> | 2,691,333    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                    |              |
| Acquisition of subsidiary                                     | 10   | -                  | (1,738,281)  |
| Dividends received  |      | <b>8,721,267</b>   | 7,588,543    |
| Loans granted   |      | <b>(2,291,102)</b> | (3,088,982)  |
| <b>Net cash generated from investing activities</b>           |      | <b>6,430,165</b>   | 2,761,280    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                    |              |
| Dividends paid  |      | <b>(4,821,618)</b> | (4,302,270)  |
| Repurchase of treasury shares                                 |      | <b>(42,377)</b>    | -            |
| <b>Net cash used in financing activities</b>                  |      | <b>(4,863,995)</b> | (4,302,270)  |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |      | <b>(568,916)</b>   | 1,150,343    |
| Cash and cash equivalents at beginning of the year            |      | <b>1,323,492</b>   | 338,887      |
| Effect of movements in exchange rates on cash held            |      | <b>(97,313)</b>    | (165,738)    |
| <b>Cash and cash equivalents at end of the year</b>           | 14   | <b>657,263</b>     | 1,323,492    |

*The notes on pages 10 to 26 form an integral part of these financial statements*

# **PURCARI WINERIES PUBLIC COMPANY LIMITED**

## **NOTES TO THE PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

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### **1. Incorporation and principal activities**

#### **Country of incorporation**

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

#### **Principal activities and nature of operations of the Company**

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

### **2. Basis of preparation**

#### **Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 and are for the year ended 31 December 2023.

#### **Basis of measurements**

The financial statements have been prepared under the historical cost convention, besides equity investments at FVTPL which were measured at fair value.

#### **Standards and interpretation**

##### **Going concern basis**

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

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

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2023 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

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

As from 1 January 2023, the Company adopted all changes to International Financial Reporting Standards (IFRSs), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Company.

##### ***(i) Standards issued but not yet effective***

The following new and amended standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Company has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Company's financial statements when become effective.

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of exchangeability (Amendments to IAS 21).

# PURCARI WINERIES PUBLIC COMPANY LIMITED

## NOTES TO THE PRELIMINARY UNAUDITED SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2023

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### *(ii) IFRSs, Amendments to IFRSs and Interpretations not adopted by the EU*

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Non-Current Liabilities with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of exchangeability (Amendments to IAS 21).

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

### **3. Significant accounting policies**

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

#### **Subsidiary companies**

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

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

#### **Revenue recognition**

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

- **Services**  
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a service to customer. Under IFRS 15, revenue is recognized when a customer obtains control of services. Determining the timing of the transfer of control – at a point in time or over time – required judgement.
- **Dividends**  
Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the year in which they are approved by the Company's shareholders.

#### **Interest income**

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

#### **Finance costs**

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

#### **Share-based payments arrangements**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

**PURCARI WINERIES PUBLIC COMPANY LIMITED**  
**NOTES TO THE PRELIMINARY UNAUDITED SEPARATE FINANCIAL**  
**STATEMENTS**  
for the year ended 31 December 2023

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**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 recognized in profit or loss.

**Tax**

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

**Financial instruments**

***Recognition and initial measurement***

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***Classification and subsequent measurement***

***Financial assets***

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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*Financial assets - Business model assessment*

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

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

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

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

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

|                                    |  |
|------------------------------------|--|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.   |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.                             |
| Debt investments at FVOCI          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.   |

***Financial assets - Classification***

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

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***Financial liabilities - Classification, subsequent measurement and gains and losses***

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

***Derivatives***

The company entered into an agreement where a call option and a put option over non-controlling interest were written. Considering that no payment was made as premium, the initial recognition of financial asset/liability results as an adjustment of the acquisition price for the shares acquired.

Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are generally recognised in profit or loss. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative.

***Cash and cash equivalents***

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

***Derecognition of financial assets and liabilities***

***Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

***Financial liabilities***

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

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

***Offsetting financial instruments***

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

***Share capital***

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

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**Comparatives**

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

**4. Financial risk management**

**Financial risk factors**

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

**4.1 Credit risk**

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

***Exposure to credit risk***

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

|                             | <b>2023</b>      | 2022      |
|-----------------------------|------------------|-----------|
|                             | <b>US\$</b>      | US\$      |
| Cash and cash equivalents   | <b>657,263</b>   | 1,323,492 |
| Trade and other receivables | <b>3,498,106</b> | 4,103,666 |
| Loan receivables            | <b>5,690,984</b> | 3,307,906 |
| <b>Total</b>                | <b>9,846,353</b> | 8,735,064 |

**Cash and cash equivalents**

The Company held cash and cash equivalents of USD 657,263 at 31 December 2023 (2022: USD 1,323,492), which represent its maximum credit exposure on these assets. 99.4% of cash and cash equivalents as at 31 December 2023 are held with bank with credit risk BBB from Fitch Ratings.

**Trade and other receivables**

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

|                                 | <b>2023</b>      | 2022      |
|---------------------------------|------------------|-----------|
|                                 | <b>US\$</b>      | US\$      |
| Republic of Moldova (Note 17.5) | <b>2,279,501</b> | 3,574,422 |
| Gibraltar (Note 17.5)           | <b>1,190,268</b> | 529,244   |
| Other                           | <b>15,450</b>    | -         |
| <b>Total</b>                    | <b>3,485,219</b> | 4,103,666 |

Other receivables from debtors in Republic of Moldova and Gibraltar represent dividends from Company's subsidiaries.

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**Loan Receivables**

The maximum exposure to credit risk for loan receivables at the reporting date by geographic region was as follows:

|                               | <b>2023</b>             | 2022             |
|-------------------------------|-------------------------|------------------|
|                               | <b>US\$</b>             | US\$             |
| Republic of Moldova (Note 12) | <b>2,873,000</b>        | 2,689,585        |
| Bulgaria (Note 12)            | <b>2,277,592</b>        | -                |
| Czech Republic (Note 12)      | <b>540,392</b>          | 618,321          |
| <b>Total</b>                  | <b><u>5,690,984</u></b> | <u>3,307,906</u> |

**Impairment**

*Impairment of trade receivables*

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

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors and concluded that an adjustment of historical default rates is not required as it is immaterial.

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

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

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

A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorizes a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

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

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

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

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*Impairment of other financial assets at amortized cost*

Other financial assets at amortized cost include receivable from related party and other receivables. There is no impairment charge and there were no changes to estimation techniques or assumptions during the reporting period. No receivables from related parties or other receivables were written off during the period are still subject to enforcement activity.

**4.2 Liquidity risk**

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

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

| Monetary liabilities     | Carrying Amount  | Total Contractual Cash Flow | Between 1–12 months | More than 1 year |
|--------------------------|------------------|-----------------------------|---------------------|------------------|
|                          | US\$             | US\$                        | US\$                | US\$             |
| <b>31 December 2023</b>  |                  |                             |                     |                  |
| Trade and other payables | 1,256,957        | 1,256,957                   | 1,256,957           | -                |
| <b>Total</b>             | <b>1,256,957</b> | <b>1,256,957</b>            | <b>1,256,957</b>    | <b>-</b>         |
| <b>31 December 2022</b>  |                  |                             |                     |                  |
| Trade and other payables | 2,041,516        | 2,041,516                   | 2,041,516           | -                |
| <b>Total</b>             | <b>2,041,516</b> | <b>2,041,516</b>            | <b>2,041,516</b>    | <b>-</b>         |

**4.3 Currency risk**

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

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

|       | 31 December 2023 | 31 December 2022 |
|-------|------------------|------------------|
| MDL1  | 17.4062          | 19.1579          |
| EUR 1 | 1.1050           | 1.0666           |
| RON 1 | 4.4958           | 4.6346           |

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

The Company manages its currency exchange risk exposure in a limited manner and there is no hedging arrangement designed or implemented to this end. The Company mainly performs a natural hedging by aligning currency of monetary assets with those of monetary liabilities. This approach is mainly applicable with regards to transactions with subsidiaries.

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The summary of quantitative data about the Company's monetary assets and monetary liabilities in original currency as at 31 December 2023 was as follows:

|   | <u>EUR</u>       | <u>USD</u>       | <u>MDL</u>       | <u>RON</u>     | <u>Total</u>     |
|---|------------------|------------------|------------------|----------------|------------------|
| <b>31 December 2023</b>                             |                  |                  |                  |                |                  |
| <b>Monetary assets</b>                              |                  |                  |                  |                |                  |
| Cash and cash equivalents                           | 649,587          | 773              | -                | 6,903          | 657,263          |
| Loan receivables                                    | 5,690,984        | -                | -                | -              | 5,690,984        |
| Trade receivables                                   | 15,450           | 1,190,268        | 2,279,501        | -              | 3,485,219        |
| <b>Total monetary assets</b>                        | <b>6,356,021</b> | <b>1,191,041</b> | <b>2,279,501</b> | <b>6,903</b>   | <b>9,833,466</b> |
| <b>Monetary liabilities</b>                         |                  |                  |                  |                |                  |
| Trade and other payables                            | 200,940          | 1,046,730        | -                | 9,287          | 1,256,957        |
| <b>Total monetary liabilities</b>                   | <b>200,940</b>   | <b>1,046,730</b> | <b>-</b>         | <b>9,287</b>   | <b>1,256,957</b> |
| <b>Net statement of financial position exposure</b> | <b>6,155,081</b> | <b>144,311</b>   | <b>2,279,501</b> | <b>(2,384)</b> | <b>8,576,509</b> |

The summary of quantitative data about the Company's monetary assets and monetary liabilities in original currency as at 31 December 2022 was as follows:

|   | <u>EUR</u>       | <u>USD</u>     | <u>MDL</u>       | <u>RON</u>     | <u>Total</u>     |
|---|------------------|----------------|------------------|----------------|------------------|
| <b>31 December 2022</b>                             |                  |                |                  |                |                  |
| <b>Monetary assets</b>                              |                  |                |                  |                |                  |
| Cash and cash equivalents                           | 1,290,617        | 27,191         | -                | 5,684          | 1,323,492        |
| Loan receivables                                    | 3,307,906        | -              | -                | -              | 3,307,906        |
| Trade receivables                                   | -                | 529,244        | 3,574,422        | -              | 4,103,666        |
| <b>Total monetary assets</b>                        | <b>4,598,523</b> | <b>556,435</b> | <b>3,574,422</b> | <b>5,684</b>   | <b>8,735,064</b> |
| <b>Monetary liabilities</b>                         |                  |                |                  |                |                  |
| Trade and other payables                            | 1,624,861        | 409,632        | -                | 7,023          | 2,041,516        |
| <b>Total monetary liabilities</b>                   | <b>1,624,861</b> | <b>409,632</b> | <b>-</b>         | <b>7,023</b>   | <b>2,041,516</b> |
| <b>Net statement of financial position exposure</b> | <b>2,973,662</b> | <b>146,803</b> | <b>3,574,422</b> | <b>(1,339)</b> | <b>6,693,548</b> |

*Exposure to currency risk*

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

*Sensitivity analysis*

A 10% strengthening of the USD against MDL and EUR would have decrease the profit before tax by USD 822,736 for the year 2023 and decrease equity with the same amount (2022: decrease by USD 622,314). This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. There were no changes in methods and assumptions from prior year.

**4.4 Capital risk management**

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

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

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

**Fair value estimation**

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

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**5. Critical accounting estimates and judgements**

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

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

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

**Measurement of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values was included below and in the following notes:

- Note 11 – valuation of equity instruments measured at fair value through profit or loss (“FVTPL”).

**6. Revenue**

|                             | <b>2023</b>             | 2022             |
|-----------------------------|-------------------------|------------------|
|                             | <b>US\$</b>             | US\$             |
| Dividend income (Note 17.1) | <b>7,834,238</b>        | 7,621,302        |
| Other income                | <b>28,332</b>           | 423              |
|                             | <b><u>7,862,570</u></b> | <u>7,621,725</u> |

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**7. Administration expenses**

|   | 2023             | 2022             |
|---|------------------|------------------|
|   | US\$             | US\$             |
| Registrar of Companies annual levy  | 373              | 397              |
| Independent auditors' remuneration for the statutory audit of annual accounts | 9,724            | 42,583           |
| Independent auditors' remuneration for the audit of consolidated accounts     | 144,976          | 133,633          |
| Directors' and officers' remuneration   | 1,218,078        | 1,248,954        |
| Equity-settled share-based payment  | 913,246          | (166,351)        |
| Legal and professional  | 207,672          | 125,900          |
| Taxes and fees, except income tax   | 37,372           | -                |
| Promotion   | -                | 780              |
| Travelling  | 1,653            | 2,122            |
| Insurance   | 6,715            | 5,492            |
| Rent  | 4,389            | -                |
| Other   | 5,445            | 18,205           |
|   | <u>2,549,643</u> | <u>1,411,715</u> |

**8. Net finance costs**

|  | 2023               | 2022            |
|--|--------------------|-----------------|
|  | US\$               | US\$            |
| Interest income  | (225,448)          | (50,136)        |
| Financial assets at FVTPL – net change in fair value (Note 11) | (429,260)          | (3,760)         |
| Net foreign exchange gain                                      | (522,724)          | -               |
| <b>Total finance income</b>                                    | <u>(1,177,432)</u> | <u>(53,896)</u> |
| Net foreign exchange loss                                      | -                  | 363,879         |
| Sundry finance expenses  | 2,342              | 1,838           |
| <b>Total finance costs</b>                                     | <u>2,342</u>       | <u>365,717</u>  |
| <b>Net finance (income)/costs recognized in profit or loss</b> | <u>(1,175,090)</u> | <u>311,821</u>  |

**9. Tax**

|                                | 2023           | 2022           |
|--------------------------------|----------------|----------------|
|                                | US\$           | US\$           |
| Corporation tax - current year | 225,759        | 198,816        |
| Corporation tax – prior years  | -              | 213            |
| <b>Charge for the year</b>     | <u>225,759</u> | <u>199,029</u> |

The corporation tax for prior years represents additional tax calculated for years 2014-2015 after tax authorities' assessment.

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

|   | 2023             | 2022             |
|---|------------------|------------------|
|   | US\$             | US\$             |
| Profit before tax   | <u>6,488,017</u> | <u>5,898,189</u> |
| Tax calculated at the applicable tax rates                  | 811,002          | 737,274          |
| Tax effect of expenses not deductible for tax purposes      | 16,772           | 52,900           |
| Current year losses for which no tax expense was recognized | 270,504          | 162,959          |
| Tax effect of allowances and income not subject to tax      | (1,098,278)      | (953,133)        |
| Tax paid in foreign jurisdictions                           | 225,759          | 198,816          |
| Under provided in prior years                               | -                | 213              |
| <b>Tax charge</b>   | <u>225,759</u>   | <u>199,029</u>   |

The corporation tax rate is 12.5%.

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The withholding tax was paid in Republic of Moldova by the Company's subsidiary Vinaria Purcari SRL during 2023, out of dividends distributed to the parent company.

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

**Unrecognized deferred tax assets**

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

|            | 2023<br>US\$      | 2023<br>US\$     | 2022<br>US\$ | 2022<br>US\$     |
|------------|-------------------|------------------|--------------|------------------|
|            | Gross amount      | Tax effect       | Gross amount | Tax effect       |
| Tax losses | <u>10,233,428</u> | <u>1,279,179</u> | 9,341,926    | <u>1,167,741</u> |

**Tax losses carried forward**

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

|        |                        |                    |                |                    |
|--------|------------------------|--------------------|----------------|--------------------|
| Expire | <u>US\$ 10,233,428</u> | <u>2024 – 2028</u> | US\$ 9,341,926 | <u>2023 – 2027</u> |
|--------|------------------------|--------------------|----------------|--------------------|

In 2023, the Company continued further to record tax losses, thus increasing cumulative tax losses to USD 10,233,428. Management has determined that the recoverability of cumulative tax losses, which expire in 2024–2028, is uncertain due to specific activity of the Company as holding company. However, if the Group changes its operational flow that will generate taxable profit at parent company level, then additional deferred tax assets and a related income tax benefit of up to USD 1,279,179 could be recognized.

**10. Investments in subsidiaries**

|                               | 2023<br>US\$      | 2022<br>US\$      |
|-------------------------------|-------------------|-------------------|
| Balance at 1 January          | 26,086,204        | 24,347,923        |
| Additions                     | -                 | 1,738,281         |
| <b>Balance at 31 December</b> | <u>26,086,204</u> | <u>26,086,204</u> |

The details of the subsidiaries are as follows:

| <u>Name</u>          | <u>Country of incorporation</u> | <u>Principal activities</u> | 2023<br>Holding<br>% | 2022<br>Holding<br>% | 2023<br>US\$      | 2022<br>US\$      |
|----------------------|---------------------------------|-----------------------------|----------------------|----------------------|-------------------|-------------------|
| Vinaria Bostavan SRL | Moldova                         | Wine production             | 58.59                | 58.59                | 10,657,973        | 10,657,973        |
| 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  | Moldova                         | Wine production             | 100                  | 100                  | 5,562,456         | 5,562,456         |
| Purcari Wineries LLC | Ukraine                         | Distribution                | 100                  | 100                  | 63,665            | 63,665            |
| Angel's Estate SA    | Bulgaria                        | Wine production             | 76.00                | 76.00                | 1,738,281         | 1,738,281         |
|                      |                                 |                             |                      |                      | <u>26,086,204</u> | <u>26,086,204</u> |

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.

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**11. Equity instruments at fair value through profit or loss**

On 13 May 2021, the Company purchased 10.00% ownership interest in 8Wines Czech Republic s.r.o. (8Wines), a Czech-based fast growing online retail platform.

The Group neither has any significant influence nor is involved in the management of 8Wines. Therefore, the ownership interest in 8Wines is accounted as equity instruments at fair value through profit or loss.

The movement in equity instruments at fair value through profit or loss for the years ended 31 December 2023 and 31 December 2022 was as follows:

|                               | 2023<br>US\$     | 2022<br>US\$   |
|-------------------------------|------------------|----------------|
| <b>Balance at 1 January</b>   | 997,127          | 993,367        |
| Change in fair value (Note 8) | 429,260          | 3,760          |
| <b>Balance at 31 December</b> | <b>1,426,387</b> | <b>997,127</b> |

As of 31 December 2023, the fair value measurement for equity investment in 8Wines Czech Republic s.r.o. has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 5). The following table shows the valuation techniques used in measuring fair value as of 31 December 2023, as well as the significant unobservable inputs used. There were no transfers between levels. Any fair value changes are included in finance income/costs. The valuation of the investment was performed by the Company's management.

|   |  |
|---|--|
| Valuation technique   | <i>Discounted cash flows:</i> The valuation model considers the present value of the net cash flows expected to be generated by the entity, discounted using a risk-adjusted discount rate.  |
| Significant unobservable inputs   | <ul style="list-style-type: none"> <li>● Expected free cash flows for 2024-2028 (USD 3,743,703);</li> <li>● Risk-adjusted discount rate (10.30%);</li> <li>● Terminal growth rate (3.00%).</li> </ul>  |
| Inter-relationship between key unobservable inputs and fair value measurement | <p>The estimated fair value would increase (decrease) by:</p> <ul style="list-style-type: none"> <li>● USD 13,609 (USD 13,609) if the expected cash flows were higher (lower) by 1%; or</li> <li>● USD 279,831 (USD 211,498) if the risk-adjusted discount rate was lower (higher) by 1pp; or</li> <li>● USD 216,018 (USD 163,965) if the terminal growth rate was higher (lower) by 1pp.</li> </ul> |

**12. Loan receivables**

As at 31 December 2023 and 31 December 2022 loans receivables are as follows:

|                                  | Currency | Interest rate       | Year of maturity | 2023                |                 | 2022                |                 |
|----------------------------------|----------|---------------------|------------------|---------------------|-----------------|---------------------|-----------------|
|                                  |          |                     |                  | US\$                | US\$            | US\$                | US\$            |
|                                  |          |                     |                  | Non-current portion | Current portion | Non-current portion | Current portion |
| 8Wines s.r.o.                    | EUR      | 3.0%                | 2025             | 83,781              | -               | 78,622              | -               |
| 8Wines s.r.o.                    | EUR      | 6.0%                | 2024             | -                   | 456,611         | 440,743             | 98,956          |
| Vinaria Bostavan SRL (Note 17.4) | EUR      | 4.0%                | 2027             | 2,762,500           | 110,500         | 2,666,500           | 23,085          |
| Angel's Estate SA (Note 17.4)    | EUR      | Euribor<br>12M+3.0% | 2028             | 2,277,592           | -               | -                   | -               |
| <b>Total loans receivable</b>    |          |                     |                  | <b>5,123,873</b>    | <b>567,111</b>  | <b>3,185,865</b>    | <b>122,041</b>  |

The loans provided to 8Wines s.r.o. are secured up to the amount of EUR 1,239,669 by the constitution of the right of pledge over the whole goods inventory – wine bottles, in the stock of 8Wines s.r.o.

The exposure of the Company to credit risk in relation to loan receivables is reported in note 4 of the financial statements.

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**13. Trade and other receivables**

|  | 2023<br>US\$            | 2022<br>US\$            |
|--|-------------------------|-------------------------|
| Receivables from related companies (Note 17.5) | 3,469,769               | 4,103,666               |
| Prepayments                                    | 12,887                  | 13,599                  |
| Other receivables                              | <u>15,450</u>           | -                       |
|  | <u><u>3,498,106</u></u> | <u><u>4,117,265</u></u> |

The exposure of the Company to credit risk in relation to trade and other receivables is reported in note 4 of the financial statements.

**14. Cash and cash equivalents**

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

|              | 2023<br>US\$          | 2022<br>US\$            |
|--------------|-----------------------|-------------------------|
| Cash at bank | <u>657,263</u>        | <u>1,323,492</u>        |
|              | <u><u>657,263</u></u> | <u><u>1,323,492</u></u> |

The exposure of the Company to credit risk in relation to cash and cash equivalents is reported in note 4 of the financial statements.

**15. Share capital**

|                               | 2023<br>Number of<br>shares | 2023<br>€             | 2022<br>Number of<br>shares | 2022<br>€             |
|-------------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
| <b>Authorised</b>             |                             |                       |                             |                       |
| Ordinary shares of €0,01 each | <u>43,000,000</u>           | <u>430,000</u>        | <u>43,000,000</u>           | <u>430,000</u>        |
|                               |                             | US\$                  |                             | US\$                  |
| <b>Issued and fully paid</b>  |                             |                       |                             |                       |
| Balance at 1 January          | <u>40,117,500</u>           | <u>478,721</u>        | <u>40,117,500</u>           | <u>478,721</u>        |
| <b>Balance at 31 December</b> | <u><u>40,117,500</u></u>    | <u><u>478,721</u></u> | <u><u>40,117,500</u></u>    | <u><u>478,721</u></u> |

On 28 April 2022, the shareholders unanimously approved the increase of the authorised share capital of the Company from EUR 410,000.00 divided into 41,000,000 shares of nominal value EUR 0.01 each to EUR 430,000.00 divided into 43,000,000 shares of nominal value EUR 0.01 each. During both 2023 and 2022 no shares were issued.

At the reporting date, the issued share capital of the Company is comprised of 40,117,500 ordinary shares with nominal value EUR 0.01 each. All issued shares are fully paid.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

**16. Trade and other payables**

|   | 2023<br>US\$            | 2022<br>US\$            |
|---|-------------------------|-------------------------|
| Payables to related parties (Note 17.6) | 1,045,835               | 908,343                 |
| Dividend payables                       | 7,072                   | 4,886                   |
| Other creditors                         | <u>204,050</u>          | <u>1,128,117</u>        |
|   | <u><u>1,256,957</u></u> | <u><u>2,041,516</u></u> |

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 4 of the financial statements.

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**17. Related party transactions**

The Company's related parties for the years 2023 and 2022 were the following:

| <u>Name of the entity</u>    | <u>Relationship with the Company</u>                                  |
|------------------------------|---|
| Amboselt Universal Inc.      | Major shareholder of the Company                                      |
| Victor Bostan                | Ultimate Beneficial Owner through Amboselt Universal Inc.             |
| Victoriavin SRL              | Entity controlled by Victor Bostan through a significant shareholding |
| Vinaria Purcari SRL          | Subsidiary  |
| Vinaria Bostavan SRL         | Subsidiary  |
| Crama Ceptura SRL            | Subsidiary  |
| Vinorum Holdings Limited     | Subsidiary  |
| Purcari Wineries Ukraine LLC | Subsidiary  |
| Angel's Estate SA            | Subsidiary from 10.10.2022  |
| Key management personnel     | Members of board of directors of the Company, CEOs, COO, CFO, CCO     |

The following transactions were carried out with related parties:

**17.1 Dividend income (Note 6)**

|                          | 2023                    | 2022             |
|--------------------------|-------------------------|------------------|
|                          | US\$                    | US\$             |
| Vinaria Purcari SRL      | 2,904,817               | 3,574,422        |
| Crama Ceptura SRL        | 4,149,421               | 3,531,880        |
| Vinorum Holdings Limited | <u>780,000</u>          | <u>515,000</u>   |
|                          | <u><b>7,834,238</b></u> | <u>7,621,302</u> |

**17.2 Interest income (Note 12)**

|                      | 2023                  | 2022          |
|----------------------|-----------------------|---------------|
|                      | US\$                  | US\$          |
| Vinaria Bostavan SRL | 110,500               | 23,085        |
| Angel's Estate SA    | <u>78,103</u>         | -             |
|                      | <u><b>188,603</b></u> | <u>23,085</u> |

**17.3 Administration expenses (Note 7)**

|   | 2023                    | 2022            |
|---|-------------------------|-----------------|
|   | US\$                    | US\$            |
| Directors and key management personnel remuneration             | 1,126,916               | 974,863         |
| Equity-settled share-based payments of key management personnel | <u>571,243</u>          | <u>(93,179)</u> |
|   | <u><b>1,698,159</b></u> | <u>877,512</u>  |

**17.4 Loan receivables from related parties (Note 12)**

|                      | Nature           | 2023                    | 2022             |
|----------------------|------------------|-------------------------|------------------|
|                      |                  | US\$                    | US\$             |
| Vinaria Bostavan SRL | Interest bearing | 2,873,000               | 2,689,585        |
| Angel's Estate SA    | Interest bearing | <u>2,277,592</u>        | -                |
|                      |                  | <u><b>5,150,592</b></u> | <u>2,689,585</u> |

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**17.5 Receivables from related parties (Note 13)**

|                          | Nature    | 2023<br>US\$            | 2022<br>US\$            |
|--------------------------|-----------|-------------------------|-------------------------|
| Vinaria Purcari SRL      | Dividends | 2,279,501               | 3,574,422               |
| Vinorum Holdings Limited | Dividends | <u>1,190,268</u>        | <u>529,244</u>          |
|                          |           | <u><b>3,469,769</b></u> | <u><b>4,103,666</b></u> |

Receivables from subsidiaries bear no interest and will be collected during the next 12 months.

**17.6 Payables to related parties (Note 16)**

|  | Nature          | 2023<br>US\$            | 2022<br>US\$          |
|--|-----------------|-------------------------|-----------------------|
| Directors and key management personnel | Management fees | <u>1,045,835</u>        | 908,343               |
|  |                 | <u><b>1,045,835</b></u> | <u><b>908,343</b></u> |

Payables to the management bear no interest. A full settlement is expected to occur in the next 12 months.

**18. Financial instruments by category**

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

**31 December 2023**

|   | Financial assets<br>mandatory at<br>FVTPL<br>US\$ | Financial assets at<br>amortized cost<br>US\$ | Total<br>US\$            |
|---|---|---|--------------------------|
| <b>Assets as per statement of financial position:</b> |   |   |                          |
| Investments in equity instruments                     | 1,426,387   | -   | 1,426,387                |
| Loan receivables                                      | -   | 5,690,984                                     | 5,690,984                |
| Trade and other receivables                           | -   | 3,485,219                                     | 3,485,219                |
| Cash and cash equivalents                             | -   | <u>657,263</u>                                | <u>657,263</u>           |
| <b>Total</b>  | <u><b>1,426,387</b></u>                           | <u><b>9,833,466</b></u>                       | <u><b>11,259,853</b></u> |

|  | Financial assets<br>mandatory at<br>FVTPL<br>US\$ | Financial liabilities<br>at amortized cost<br>US\$ | Total<br>US\$           |
|--|---|--|-------------------------|
| <b>Liabilities as per statement of financial position:</b> |   |  |                         |
| Trade and other payables                                   | -   | <u>1,256,957</u>                                   | <u>1,256,957</u>        |
| <b>Total</b>   | <u><b>-</b></u>                                   | <u><b>1,256,957</b></u>                            | <u><b>1,256,957</b></u> |

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**31 December 2022**

|   | Financial assets<br>mandatory at<br>FVTPL<br>US\$ | Financial assets at<br>amortized cost<br>US\$ | Total<br>US\$    |
|---|---|---|------------------|
| <b>Assets as per statement of financial position:</b> |   |   |                  |
| Trade and other receivables                           | 997,127   | -   | 997,127          |
| Loan receivables                                      | -   | 3,307,906                                     | 3,307,906        |
| Trade and other receivables                           | -   | 4,103,666                                     | 4,103,666        |
| Cash and cash equivalents                             | -   | 1,323,492                                     | 1,323,492        |
| <b>Total</b>  | <b>997,127</b>                                    | <b>8,735,064</b>                              | <b>9,732,191</b> |

|  | Financial assets<br>mandatory at<br>FVTPL<br>US\$ | Financial liabilities<br>at amortized cost<br>US\$ | Total<br>US\$    |
|--|---|--|------------------|
| <b>Liabilities as per statement of financial position:</b> |   |  |                  |
| Trade and other payables                                   | -   | 2,041,516  | 2,041,516        |
| <b>Total</b>   | <b>-</b>  | <b>2,041,516</b>                                   | <b>2,041,516</b> |

**19. Events after the reporting period**

There were no further material events after the reporting period.