

**POPOVA KULA Winery AD Demir Kapija
Separated Financial Statements for the
Year Ended 31 December 2021 and
Independent Auditor's Report**

Skopje, February, 2022

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FREE TRANSLATION FROM MACEDONIAN ORIGINAL

Skopje February 17, 2022

INDEPENDENT AUDITORS' REPORT

To the shareholders of POPOVA KULA Winery, AD Demir Kapija

We have audited the accompanying financial statements of POPOVA KULA Winery AD Demir Kapija (hereinafter the "Company"), which comprise the Statement of financial position as of 31 December 2021, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards accepted and issued in the Republic of Macedonia. This responsibility includes, designing, implementing and maintaining internal control relevant of the preparation and fair presentation of these financial statements that are free from the misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of POPOVA KULA Winery AD Demir Kapija present fairly, in all material respects, the financial position of the Company as of 31 December 2021, and of its financial performance and its cash flows for the year ended 31 December 2021, in accordance with Financial Reporting Standards, accepted and issued in the Republic of Macedonia.

Report on other legal and regulatory matters

The management of the company is also responsible for preparing the annual working report, in accordance with Article 384 of the Companies Act. Our responsibility in accordance with the audit is to know whether the annual work report is consistent with the annual accounts and financial statements for the year ended December 31, 2019. Our work, in terms of annual work report is made in accordance with Standard 720 of International Standards of Auditing and is limited to information, whether historical financial information presented in the annual work report are consistent with the annual accounts and audited financial statements.

The annual business report of the Company is consistent in all material respects with the annual accounts and the audited financial statements of POPOVA KULA Winery AD Demir Kapija for the year ended 31 December 2021.

Other questions

Financial statements for the year ended 31 December 2020 have been audited by the previous auditor, who expressed a positive opinion for them, on 17 June 2021.

ELIT DOOEL, Licence No.18

Skopje, 17 February 2022

Certified Auditor

Dance Zografska



STATEMENT OF COMPREHENSIVE INCOME
For the year ended as of 31 December 2021
In thousands of MKD

	Note	2021	2020
OPERATING INCOME			
Sales (wine)	5	18,336	7,465
Costs of material and maintenance	6,7	(15,743)	(9,571)
Sales (tourism)	5	23,185	10,404
Cost of sales restaurant and hotel	6,7	(18,322)	(11,492)
Gross profit		7,456	(3,194)
Other business income	5	2,613	4,634
Administrative costs	6,7	(2,906)	(5,136)
Other costs	6,7	(5,801)	(5,605)
Operating profit (loss)	6,7	1,362	(9,301)
Finance income	8	360	415
Finance expenses	9	(1,720)	(1,388)
PROFIT BEFORE TAX		2	(10,274)
Income tax	10	-	-
PROFIT FOR THE YEAR		2	(10,274)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2	(10,274)
Earnings per share (in MKD)		-	-

Authorized by the general manager



The accompanying notes form is an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
For the year ended as of 31 December 2021
In thousands of MKD

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	12,13	119,481	122,331
Long term investments	14	2,643	2,643
		122,124	124,974
Current assets			
Inventories	15	30,505	35,822
Accounts receivable	16	11,687	11,342
Other current assets and prepayments	17	644	1,370
Short term financial assets	18	10,352	11,838
Cash and cash equivalents	19	3,972	3,809
Pre-paid costs		22	22
Total current assets		57,182	64,203
TOTAL ASSETS		179,306	189,177
EQUITY AND LIABILITIES			
Equity			
Owner's equity	20	166,050	166,050
Accumulated loss		(46,967)	(36,693)
Net profit for the current year		2	(10,274)
Total Shareholders' Equity		119,085	119,083
Long term financial liabilities	21	47,507	39,431
Short-term part of long-term liabilities	21	1,377	1,324
Short-term financial liabilities	22	-	8,886
Accounts payable	23	4,948	11,852
Other current liabilities and accruals	24	1,945	3,475
Tax liabilities and contributions	24	258	-
Deferred costs		4,186	5,126
Total short-term liabilities		12,714	30,663
Total liabilities		60,221	70,094
TOTAL EQUITY AND LIABILITIES		179,306	189,177

Authorized by the general manager



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POPOVA KULA Winery AD Demir Kapija

STATEMENT OF CHANGES IN EQUITY
For the year ended as of 31 December 2021
In thousands of MKD

	Owners' Equity	Reserve s	Accumulate d profit/(loss)	Total
Balance as of 1 January 2020	166.050	-	(36.693)	129.35 7
Total comprehensive income for the year	-	-	(10.274)	(10.274)
Balance as of 31 December 2020	166.050	-	(46.967)	119.08 3
Balance as of 1 January 2021	166.050	-	(46.967)	119.08 3
Total comprehensive income for the year	-	-	2	2
Balance as of 31 December 2021	166.050	-	(46.965)	119.08 5

Authorized by the general manager

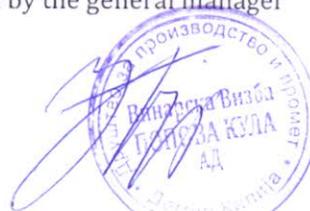


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CASH FLOW STATEMENT
For the year ended as of 31 December 2021
In thousands of MKD

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	2	(10.274)
<i>Adjustment to reconcile profit to net cash provided by operating activities:</i>		
Amortization/Depreciation	5.214	5.431
<i>Changes in operating assets</i>		
Increase/decrease in inventories	5.317	(5.814)
Increase/decrease in receivables	381	2.701
Increase/decrease in trade payables	(6.904)	5.790
Increase/decrease in other liabilities	(2.470)	2.521
Taxes and contribution liabilities	258	(1.359)
Net cash flows used in operating activities	<u>1.798</u>	<u>(1.004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase (sale) of property, plant and equipment	(2.364)	986)
Gain from sale of property, plant and equipment	-	-
Received interest	1.486	80
Net cash flows used in investing activities	<u>(878)</u>	<u>(906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term financial liabilities	(1.538)	298
Long-term financial liabilities	781	3.356
Net cash flows from financing activities	<u>(757)</u>	<u>3.654</u>
Net increase/(decrease) in cash and cash equivalents	163	1.744
Cash and cash equivalents, beginning of year	3.809	2.065
Cash and cash equivalents, end of year	<u>3.972</u>	<u>3.809</u>

Authorized by the general manager



The accompanying notes form is an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company for production and trade POPOVA KULA Winery AD Demir Kapija (in the following text "the Company") is registered according to the Trade Company's Law on 29.03.2006. In accordance with the Ordinance of the Central Register of RM, number 6100937. The Company's main activity is wine production. The Company's majority owner of the Company is the Company for production, trade and consulting Inteko DOO Skopje, with a 50,58% ownership in the Company's capital.

The headquarters of the Company are in Demir Kapija, Wine Boulevard No.1, , Republic of Macedonia.

On 31 December 2021, the Company had 22 employees.

The company owns a 100% stake in STANUSHINA DOOEL Demir Kapija, also has a 100% stake in POPOVA KULA SP ZOO Poland and a 100% stake in the newly established PKT DOOEL Demir Kapija.

The Company publishes separated and consolidated financial statements.

The financial statements of VV POPOVA KULA AD were adopted and approved by the management on 17.02.2022.

COVID-19 PANDEMIC AND ITS IMPACT

2021 as well as 2020 will be remembered after the terrifying pandemic COVID-19, which started in early 2020 and quickly took over the world. The beginning of the pandemic, in order to stop it, marked a slowdown in economic activity, even the total closure of some economic activities, in the manufacturing and service sectors, as well as tourism, closure lasted differently, from three to six months, followed by gradual easing of the measures by applying established protocols, by reducing the utilization of the capacities, ie by reducing the number of present visitors or users. To reduce the consequences of the pandemic, the Government is taking more monetary and fiscal measures to help the most vulnerable categories of activities.

The slowdown in economic flows, by reducing consumption, led to a decrease in real GDP by 4.6% in 2020, and inflation in the same period reached 2.2%, with a tendency to accelerate.

In 2021, the economy began to recover gradually, with the easing of anti-covid measures, which led to GDP growth in the third quarter of the year by 3%. The economic environment also had a positive impact on the results of the Company with increased realization and profit margin compared to 2020.

POPOVA KULA Winery AD Demir Kapija

For the year ended as of 31 December 2021
In thousands of MKD

2. Basis of Preparation and Presentation of the Financial Statements

The financial statements have been prepared in accordance with the legal regulations of Republic of Macedonia, with certain reclassifications and additions due to compliance with reporting requirements, in accordance with International Standards on financial reporting. The company, may in certain cases, make a choice of certain accounting policies within the legally prescribed accounting policies or to decide independently whether to implement them or not to apply the prescribed accounting policies.

Accounting policies are consistently applied by management in previous accounting periods.

The financial statements have been prepared on the assumption of continuity of operations, ie that the Company will continue to operate in foreseeable future.

2.1. Basics of accounting

In accordance with the accounting principles, in order to realistically represent the income and expenses, ie the financial result and the share capital of the company. The financial statements have been prepared using the historical principle values, modified by the effect of inflationary changes affecting certain assets, liabilities and capital.

The basic accounting policies that are applied in compiling Financial statements for the period 01.01 to 31.12.2021 (unless otherwise stated) are in accordance with International Financial Reporting Standards, accepted and published in the Republic of Macedonia.

2.2. Functional currency

The financial statements shown on page 4-7 are expressed in accordance with legal regulations of the Republic of Macedonia, in the functional, national currency of the Republic of Macedonia - Macedonian denar. Financial statements for the period 01.01-31.12.2021 of the Company are prepared in thousands of denars (in 000 MKD).

2.3. Transactions in foreign currencies

The calculation of foreign assets, ie receivables and liabilities, are performed according to the average exchange rate of the foreign assets of the NBRM in Denar equivalent value on the day of compiling the annual financial statements, and the expression of transactions expressed in foreign currencies is performed according to the foreign exchange rate on the day of the transaction.

FOREIGN EXCHANGE RATES

The official exchange rates of foreign currencies on 31.12.2021 in denars

Currency	31.12.2021	31.12.2020
1 EUR	61,6270	61,6940
1 USD	54,3720	50,2353

2.4. Revenues recognition

Revenue is recognized to the extent that, it is probable that the economic benefits will flow to the enterprise and the revenue can be reliably measured. Revenue is shown, net of value added tax, estimated returns, discounts and rebates. Revenue is recognized as follows:

- Sales of goods

Sales of goods are recognized when an entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured. The revenue of the lottery games is net gain of the game that represent different between all payments decrease for the game's fond.

- Sales of services

Sales of services are recognized in the accounting period in which the services are rendered by referenced to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Company's operating revenue is the net winnings from gaming activities, which is the difference between whole gaming payments decrease for the game's fond or game's outflows. The retail value of other services delivered are recognized when the services are provided.

Amounts collected on behalf of third parties such as value added taxes are excluded from revenue.

The revenue is recognized with the real value, prices of the goods and services are not regulated by the law and they are market determined.

- Interest income

Interest income is recognized on a time portion basis using the effective interest method and is shown as revenues, independent from their collection.

Also, financing income is recognized as income from dividends, capital gain from securities sell, and exchange gains.

2.5. Operating costs

All costs arising from the operating activity of the company are recognized as operating costs for the period.

Operating costs for the company includes employees' wages, goods and materials used and specific gaming activity cost monthly amount of duty.

2.6. Investment and current maintenance

The costs of investment and current maintenance of fixed assets are cover from the income in the accounting period, at the moment when they occur.

Reconstructions and adaptations of capacities, which change, improve, increases or modernizes the capacity and purpose of fixed assets, are records as an increase in the value of those fixed assets.

For the year ended as of 31 December 2021

In thousands of MKD

2.7. Borrowing costs

Borrowing costs that are directly attributable to the purchase or production of a particular asset which is a means of further use or sale are directly added and increase its value until the asset is ready for use or sale.

Interest accrued on the basis of liabilities, calculated up to the date of the Report for financial condition, with the exception of interest on the basis of third parties for basic assets, which are reimbursed at the expense of the revaluation reserve are expressed in the Comprehensive Income Statement within Financial Expenses. Accordingly legal regulations, how interest is treated and any form of revaluation of obligations, if so agreed or prescribed.

2.8. Taxation

Income taxes currently at the rate of 10%, is payable on taxable profits shown in the statutory income statement adjusted with unrecognition expenditures for tax purposes in tax statement.

Deferred taxation is provided on all temporary differences, if any, in accordance with IAS 12. Differed profit tax is recorded in full, using the liability method, whereas the time difference occurring between the tax base of assets and liabilities, and the amounts being recorded for the purposes of financial reporting. At the time of assessment of the differed profit tax, current tax rates are used.

2.9.1. Property, Plant and Equipment

Property, plant and equipment of the Company at 31 December 2021 comprise of land, property and equipment. Property and equipment are stated at cost less accumulated depreciation.

Cost comprises the purchase price including import duties, non-refundable taxes, and any directly-attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and/or rebates received are deducted in arriving at the purchase price. The cost of self-constructed property and equipment is its cost at the date upon which its construction or development was completed.

Property and equipment are capitalized as tangible assets if their expected useful life exceeding one year.

Gains from the disposal of property and equipment are credited directly to "Other operating income", whereas any losses arising on the disposal of property and equipment are charged to "Other operating expenses".

Capital improvements, renewals and repairs that extend the useful life of an asset are capitalized. Repairs and maintenance are expensed as incurred and are shown as operating expenses. When there is a significant deviation between the carrying and fair values of the assets, the Company makes revaluation of tangible assets through assessment.

POPOVA KULA Winery AD Demir Kapija

For the year ended as of 31 December 2021
In thousands of MKD

2.9.2. Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Costs associated with maintaining of the assets are recognised as an expense as incurred.

Subsequent additions are included in the cost of the asset, or they are recognised as separate asset, accordingly, only if related future inflows are probable and the cost of the asset can be fairly measured.

2.9.3. Biological Assets

Biological assets which entirely consist of perennial vineyards are recognized at their fair value less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure the asset to its fair value less estimated costs at point of sale.

The yield of biological assets (vintage) is recognized as inventories at its fair value less estimated costs of sell at the time of the vintage.

Depreciation and Amortization

Depreciation of property and equipment and amortization of intangible assets is provided on a straight-line basis in order to fully write off the cost of the assets over their estimated useful lives. The depreciation of property and equipment and amortization of intangible assets is provided at rates based on the estimated useful life of property and equipment as estimated by the Company's management. Competent departments of the Company revise the useful life of property and equipment periodically. The principal annual depreciation/amortization rates in use for classes of property, equipment and intangible assets are as follows:

Property	2,5%-10%
Biological assets and stainless-steel equipment	2,5%
Office inventory	5%-10%
Furniture	20%
Computer equipment with software	25%
Telecommunication equipment and vehicles	25%
Other equipment	10%
Long - term intangible assets	25%

Depreciation and amortization on property and equipment and intangible assets begins when the related assets are placed in service.

2.9.4. Impairment of Non-Financial Assets

In accordance with accepted accounting policies, at the end of each year, the Company's management assesses the carrying value of the Company's intangible assets and property and equipment. If there is any indication that those assets

have been impaired, recoverable amount of the assets is calculated to determine the amount of impairment loss. If the recoverable amount of the asset is estimated as lower than its current value, the current value reduces the carrying amount to its recoverable amount, which is the higher of the asset's net selling value and value in use. Impairment losses, which represent the difference between the carrying amount and recoverable amount of tangible and intangible assets, are shown in the statement of comprehensive income.

Impaired financial assets are assessed on each reporting date to determine possible impairment recoveries.

2.10. Leases

The classification of leases is based on the extent to which risks and rewards secondary to ownership of a leased asset lay with the lesser the lessee. Risks include the possibilities of losses from idle capacity or technological obsolescence and of variations in return because of changing economic conditions.

Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realisation of a residual value.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer all the risks and rewards secondary to ownership of an asset. At the commencement of the lease term, lessees shall recognise **finance leases** as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Lease income from operating leases shall be recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Lesser shall present assets subject to operating leases in their statements of financial position according to the nature of the asset.

2.11. Inventories

Inventories, except inventory yield of biological assets, are initially stated at the lower of cost and net realizable value. Cost value includes the invoiced value, transport and other attributable expenses. The carrying amount is determined by the method of planning prices. Net realizable value represents the price at which inventories could be sold in the ordinary course of business, less costs of sale. The cost of inventories includes the cost of direct materials, direct labor, other direct costs and related general production costs.

Allowances that are charged to "Other operating expenses" are made where appropriate in order to reduce the carrying value of such inventories to management's best estimate of their net realizable value. Inventories found to be damaged or of a substandard quality are written off in full.

2.12. Financial Instruments

All financial instruments are initially recognized at nominal value (usually equal to the consideration paid) including any directly attributable costs of acquisition or issue of the financial asset or financial liability, except for financial assets and financial liabilities at fair value through profit and loss. All regular way purchases and sales of financial assets are recognized on the settlement date. Financial assets and financial liabilities are recognized in the Company's statement of financial position on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument.

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired.

Financial assets cease to be recognized when the Company loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Financial liabilities cease to be recognized when the Company fulfils the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

(a) Accounts Receivable

Accounts receivable are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

A provision for impairment is made on the basis of the ageing of the receivables balances and historical experience, and when the partial or full collection of an account receivable is deemed to be no longer probable. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognised in the Statement of Comprehensive Income within "Other expenses" (Note 9). When a receivable is uncollectible, it is written off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written off and reversal of the impairment are credited to "Other income".

(b) Loans Received from Banks and Suppliers

Loans received from banks and suppliers are initially measured at the amount of the loan disbursements received (i.e., nominal value). Borrowings are subsequently measured at the amortized cost that is computed based on the effective interest rate.

Liability is classified as short-term if it expected to be settled in the Company's normal operating cycle, i.e. which matures in the period up to 12 months from

For the year ended as of 31 December 2021

In thousands of MKD

the statement of financial position date. All other liabilities are classified as long term.

(c) *Operating Liabilities*

Obligations towards suppliers and other short-term liabilities are measured at the amount of the consideration received.

Cash and Cash Equivalents

Cash and cash equivalents include cash on current accounts held with banks, cash on hand and any other highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.15. Financial liabilities

Financial liabilities are classified as trade and other payables. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

2.16. Capital

Paid up capital is recorded on historical basis in fully paid amount.

Statutory reserves arise from transferring profits from retained profits on level of 10% from paid up capital, in accordance with the companies' law.

2.17. Dividends

Dividends are recognised as a liability in the period in which they are declared.

2.18. Segment reporting

In accordance with IFRS 8, imposes the Company to report by segmenting its operations as separate parts that generate profit. The Company does its operations generally in three segment . The biggest revenues come from production and sales of wine, as a mine activity of the Company, and all revenues are expressed in separate segment.

The Management board is responsible for strategic decisions for each segment.

2.19. Comparison of data

Financial statements for the period from 01 January to 31 December 2020 are audited and are relevant base for comparison with audited financial statements for the period from 01 January to 31 December 2021.

3. ACCOUNTING ESTIMATES

POPOVA KULA Winery AD Demir Kapija

For the year ended as of 31 December 2021
In thousands of MKD

The company assesses future events. Estimated amounts, usually are equal to the actual amounts of the realized events. Estimates they may have material impact on the present value of assets and liabilities in the future are described below.

Determining fair value

The fair value of the estimated tangible and financial assets and financial liabilities that are not quoted in active markets - receivables from customers, other receivables, loans, liabilities to suppliers and others liabilities are analyzed by the Company at the date of the financial statement condition, whether they have undergone significant changes in the value of the day of the assessment. The company's assessment is that the difference between their market value and estimated carrying amount is intangible and does not affect the expressed result.

Continuity in operation

The financial statements have been prepared on a going concern basis operation, ie that the Company will continue to operate in the foreseeable future.

The Company has no intention or need to liquidate or materially limit the scope of its operation.

4. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Company is exposed to a different extent to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

4.1. Market risk

a) Currency risk

The Company is exposed to foreign exchange risk because the Company has business activities in foreign markets, i.e. receivables and liabilities stated in foreign currency. Company does not use special financial instruments to reduce this risk.

b) Interest rate risk

Interest rate risk is a risk of interest rate changes rates on loans taken, if tied to SKIBOR; or EURIBOR. The borrowing company pays contractual, fixed interest rates.

4.2. Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfill an obligation.

The Company is exposed to credit risk from its operating activities. Cash holdings of the company are deposited in banks with solid credit rating thus are not

For the year ended as of 31 December 2021

In thousands of MKD

exposed to high credit risk. Receivables from clients, because of the nature of the business activity are consisted of a small number of balances. The credit risk is managed through diversification of receivables concentration throughout the portfolio of clients.

As of 31.12.2021 the Company has a total of 26,677 thousand MKD financially assets and a total of 60,211 thousand MKD financial liabilities.

4.3. Liquidity Risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligation on time.

As of 31.12.2021 the Company has a total of 26,677 thousand MKD financially assets, all short-term and a total of 60,211 thousand MKD financial liabilities, 47.507 thousand MKD long-term financial liabilities and 12.714 thousand MKD short-term liabilities .

4.4. Taxation Risk

According to legal regulations in the Republic of N.Macedonia, the financial statements and the accounting records of the Company are subject of control by tax authorities after the filling of tax statements for the next five years.

4.5. Capital risk management

The Company manages its goals to maintain an optimal capital structure in accordance with the Company Law of RM, and sustaining a stable capital base that will ensure continuous future growth of the Company. In the preceding period the Company has set apart for reserves as per the Company Law of RM, 10% of its capital.

5. SALES

	<u>2021</u>	<u>2020</u>
Sales in domestic market - wine	15,217	3,604
Sales – restaurant and hotel	13,402	7,772

POPOVA KULA Winery AD Demir Kapija

For the year ended as of 31 December 2021

In thousands of MKD

Sales – services restaurant and hotel	9,783	2,632
Sales in foreign market	2,686	3,861
Other revenues	<u>883</u>	<u>926</u>
Total	<u>41,971</u>	<u>18,795</u>
Inventory surpluses	333	42
Financial government grants	1,795	3,524
Revenues from sale of materials	-	83
Other operating income	<u>71</u>	<u>59</u>
Total	<u>2,163</u>	<u>3,708</u>
Total operating revenues	<u>44,134</u>	<u>22,503</u>

5. COST FOR MATERIALS AND MAINTANCE

	31.12.2021	31.12.2020
Costs of sold goods	1,801	2,005
Materials	9,878	11,679
Electricity	2,183	1,375
Small inventory write-off	<u>362</u>	<u>104</u>
Total cost of materials	<u>12,423</u>	<u>13,158</u>
Transport, telecom and other services	543	583
Promotion and advertising services	1,371	1,020
Rent	78	77
Utility services	735	505
Investment maintenance	694	618
Total costs for services performed	<u>3,421</u>	<u>2,803</u>
Gross salaries	7,549	7,751
Other reimbursements to employees	<u>638</u>	<u>624</u>
Total costs for employees	<u>8,187</u>	<u>8,375</u>
Depreciation	<u>5,214</u>	<u>5,431</u>
Representation	362	391
Insurance	26	71
Banking commissions	367	236
Taxes, fees and customs	401	145
Professional and other services	1,359	3,108
Other costs	<u>2,908</u>	<u>-</u>
Total other operating costs	<u>5,423</u>	<u>3,951</u>
Shortages	-	13
Additionally approved discounts	114	405
Value adjustment of non-current assets	788	2,023
Other	<u>193</u>	<u>114</u>

POPOVA KULA Winery AD Demir Kapija
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Total operating costs	37,564	38,278
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7. WAGES, SALARIES AND OTHER PERSONAL EXPENSES

	31.12.2021	31.12.2020
Gross salaries	7,549	7,752
Other reimbursements to employees	639	624
Total	8,187	8,376

8. INTEREST INCOME

	31.12.2021	31.12.2020
Interest income of given loans	275	329
Positive exchange rate differences	85	86
Total	360	415

9. INTEREST EXPENSE

	31.12.2021	31.12.2020
Loans' interest expense	1,686	1,238
Negative exchange rate differences	34	150
Total	1,720	1,388

10. INCOME TAXES

	31.12.2021	31.12.2020
Profit before tax	2	(10,274)
Unrecognized expenses	1	-
Tax base – unrecognized expenses	3	(10,274)
Income tax at the rate of 10%	0.3	(10,274)
Tax credit	-	-
Income tax	0,3	-

11. PROFIT DISTRIBUTION

At the Shareholders Assembly held on 11.08.2021, a decision was made according to which the loss from 2020 will be covered by accumulated profit.

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Property	Equipment	Assets in progress	
Cost value at					
01.01.2020	4,517	118,982	65,723	3,037	192,259
Purchases during the	64	627	295	-	986
Internal transfers	-	-	(629)	-	(629)
Balance at 31.12.2020	4,581	119,609	65,389	3,037	192,616
Value correction					
AT 01.01.2020	-	28,922	37,872	-	66,794
Depreciation	-	2,996	2,380	-	5,376
Disposals	-	-	(629)	-	(629)
Balance at 31.12.2020	-	31,918	39,623	-	71,541
Net balance 31.12.2020	4,581	87,691	25,766	3,037	121,075
Cost value at					
01.01.2021	4,581	119,609	65,389	3,037	192,616
Purchases during the	-	226	280	1,857	2,363
Internal transfers	-	-	-	(1,857)	(1,857)
Disposals	-	-	-	-	-
Balance at 31.12.2021	4,581	119,835	65,669	3,037	193,122
Value correction					
At očnojba 01.01.2021	-	31,918	39,623	-	71,541
Depreciation	-	3,000	2,157	-	5,157
Disposals	-	-	-	-	-
Balance at 31.12.2021	-	34,918	41,780	-	76,698
Net balance 31.12.2021	4,581	84,917	23,889	3,037	116,424

13. BIOLOGICAL ASSETS

vineyards	other	Assets in progress	Total
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POPOVA KULA Winery AD Demir Kapija

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Value at				
01.01.2020	2,235	-	-	2,235
Purchases during the year	-	-	-	-
Balance at 31.12.2020	2,235	-	-	2,235
Value correction				
At 01.01.2020	923	-	-	923
Depreciation	56	-	-	56
Balance at 31.12.2020	979	-	-	979
Net balance 31.12.2020	1,256	-	-	1,256
Value at				
01.01.2021	2,235	-	-	2,235
Purchases during the year	-	-	-	-
Internal transfers	-	-	-	-
Dissposals	-	-	-	-
Balance at 31.12.2021	2,235	-	-	2,235
Value correction				
Value at 01.01.2021	979	-	-	979
Depreciation	56	-	-	56
Balance at 31.12.2021	1,035	-	-	1,035
Net value at 31.12.2021	1,200	-	-	1,200

14. LONG TERM INVESTMENTS

	31.12.2021	31.12.2020
Investing in subsidiaries *	2,643	2,643
Other	-	-
Total	2,643	2,643

* The investments refer to shares in the following companies:

1. STANUSHINA DOOEL Demir Kapija, with a 100% share owned by the Company. The share is recorded at a purchase value of 12,000.00 mkd, and with a nominal value of 310,000.00 mkd
2. POPOVA KULA SP ZOO, Poland, with a share in the amount of MKD 2,631,150.00
3. On November 22, 2021, POPOVA KULA AD established a new company, PKT DOOEL with headquarters in Demir Kapija, with a share of 308,500.00 mkd, 100% owned by the Company. The share was paid after 31.12.2021, therefore it is not recorded as a subsidiary investment in these financial statements.

15. INVENTORY

	31.12.2021	31.12.2020
Raw materials	387	1,405

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Small inventory and packaging	10,020	8,393
Finished products	73,435	62,142
Total	83,842	71,940

16. ACCOUNTS RECEIVABLE

	31.12.2021	31.12.2020
Domestic accounts receivable	11,096	10,488
Foreign accounts receivable	4,538	4,070
Receivables write off	(3,947)	(3,216)
<i>Вкупно побарувања од купувачи</i>	11,687	11,342

ACCOUNTS RECEIVABLE - structure

<i>Up to 30 days</i>	2,095
<i>between 31-90 days</i>	82
<i>between 91-180 days</i>	184
<i>between 181-360 days</i>	96
<i>over 360 days</i>	9,230
	11,687

17. OTHER ACCOUNTS RECEIVABLE

	31.12.2021	31.12.2020
Receivables for given advances	220	241
Receivables for taxes and contributions	333	963
Other	91	166
Advanced payed costs	22	22
Total	666	1,370

<i>Other receivables - financial</i>	333	429
<i>Other receivables - non financial</i>	333	963

18. SHORT-TERM FINANCIAL ASSETS

	31.12.2021	31.12.2020
Short-term loans	10,232	11,838
Interest to short-term loans	120	-
Total short-term financial assets	10,352	11,838

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Borrower	Amount	Currency	Interes
STANUSHINA DOOEL Demir Kapija	8,811,500	MK	SKIBOR+
STANUSHINA DOOEL Demir Kapija	1,420,721	DM	1%

19. CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020
Cash on the account at banks –MKD	764	281
Cash at banks foreign currency	2,995	3,455
Cash equivalents	213	73
Total	3,972	3,809

20. EQUITY

As of 31 December 2021, and 2020, the shareholders' equity amounts 166.050 thousand of denars and is divided into 2.700.000 ordinary shares with a nominal value of 61,5 denars per share.

	Number of shares	% according to Central Register of RM
Inteko Doo Skopje	1.365.576	50,58%
Other minor shareholders	1.334.424	49,42%
Balance as of 31 December 2021	2.700.000	100%

21. LONG-TERM FINANCIAL LIABILITIES

	31.12.2021	31.12.2020
Long-term loan from banks	10,523	9,131
Long-term loans from	38,361	31,624
Other long-term loans	-	-
TOTAL long-term loans	48,884	40,755

Credit liabilities relate to:

Lender	Currency	Amount	Payment to	Interest
Sparkasse Bank AD Skopje	MKD	9,131,297	28.07.2027	Bank.Rec.+1.2%
MBPD	MKD	1,392,000	25.04.2025	0.00%
loan to individual- related	EUR	421,845	2026	4.00%
Interest to loan to individual- related	EUR	200,630	2023	-

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Short-term part of long-term loans – total 1,377 mkd.

The loan from Sparkasse Bank AD is secured by a mortgage on real estate owned by the Company.

22. SHORT-TERM FINANCIAL LIABILITIES

	31.12.2021	31.12.2020
Short-term loan to banks	-	3,702
Short-term loan to individual- related party	-	-
Short-term loan to other individuals	-	5,184
Total	-	5,184

23. ACCOUNTS PAYABLE

	2021	2020
Domestic accounts payable	4,303	11,852
Foreign accounts payable	645	-
Total	4,948	11,852

STRUCTURE OF LIABILITIES

<i>Not due for payment</i>	718
<i>to 30 days</i>	995
<i>between 31-90 days</i>	1,016
<i>between 91-180 days</i>	422
<i>between 181-360 days</i>	802
<i>over 360 дена</i>	995
	4,948

24. OTHER SHORT THERM LIABILITIES

	31.12.2021	31.12.2020
Receive advances	1,066	2,837
Liabilities for net salaries	509	430
Liabilities for salary contributions	245	196
Current tax liabilities	258	-
Other liabilities to employees	3	4
Other liabilities	122	8

POPOVA KULA Winery AD Demir Kapija

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Deffered costs	4,186	5,126
Total	6,389	8,601

25. RELATED PARTIES TRANSACTIONS

	31.12.2021	31.12.2020
RECEIVABLE		
* Popova Kula SP Zoo Polska	859	-
**Inteko doo Skopje	-	-
*** Stanusina Dooel Demir Kapija	6,210	4,840
Stanusina Dooel Demir Kapija – loan interest	1,421	1,146
Stanusina Dooel Demir Kapija - loan	8,812	10,692
Total	17,302	16,678

LIABILITIES

* Popova Kula SP Zoo Polska	42	-
** Inteko doo Skopje	237	182
*** Stanusina Dooel Demir Kapija	-	
<i>Popova Kula's major shareholder- given loan and interest</i>	31,013	30,253
<i>Popova Kula's shareholder- given loan and</i>	4,074	-
	-	-
Total	35,366	30,435

	REVENUE	EXPENSES
Revenue / expenses for 2021		
* Popova Kula SP Zoo Polska	858	617
*** Stanusina Dooel Demir Kapija	1,422	1,863
Financial revenue / expenses for 2021		
*** Stanusina Dooel Demir Kapija		
<i>Popova Kula's major shareholder</i>	13,854	793
<i>Popova Kula's shareholder</i>	4,263	195

* POPOVA KULA WITH ZOO, Poland, is owned by the Company, with a 67.52% of the stake.

** INTEKO DOO Skopje is the majority owner of the Company with 50.56% of the total shares.

*** STANUSHINA DOOEL Demir Kapija is owned by the Company, with a 100% of the stake.

26. UNCERTAIN RECEIVABLES / LIABILITIES

POPOVA KULA Winery AD Demir Kapija

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The company has sued claims in the total amount of MKD 1,465,343.00. As a defendant appears in court disputes in the total amount of MKD 271,600.00.

27. SUBSEQUENT EVENETS

There are no any event after December, 31 2018 with the influence on issued Financial Statements.