

POPOVA KULA Winery AD Demir Kapija
Consolidated financial statements for the year ended 31 December
2020 in accordance with the accounting standards accepted in the
Republic of North Macedonia
and
Independent Auditor's Report

June 2021

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To the shareholders of
"POPOVA KULA" Winery, AD Demir Kapija

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Consolidated financial statements of "POPOVA KULA" Winery AD Demir Kapija (hereinafter the "Company"), which comprise the Consolidated Statement of Financial Position as of 31 December 2020, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards, published and accepted in Republic of North Macedonia and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards which are applicable 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated 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 Consolidated 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 consolidated financial statements.

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



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To the shareholders of
"POPOVA KULA" Winery, AD Demir Kapija

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the consolidated 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting standards accepted in the Republic of North Macedonia.

Report on other legal and regulatory matters

The management of the Company is responsible for preparation of the annual business report in accordance with Trade Company Law.

Our responsibility in accordance with the Audit Law is to report whether the annual business report is consistent with the annual account and financial statements for the year ended 31 December 2020. Our work referring to the annual business report is carried out in accordance with ISA 720 and it is limited to reporting whether the historical financial information presented in the annual statement are consistent with the annual accounts and audited financial statements.

The consolidated annual business report of the Company is consistent in all material aspects with the annual account and the audited financial statements of POPOVA KULA Winery AD Demir Kapija for the year ended 31 December 2020.

Radovish, 17.06.2021

Janka Dimitrova
Certified Auditor

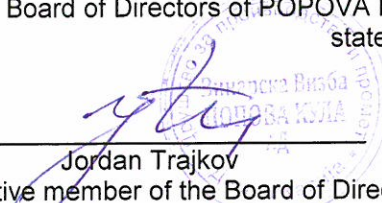


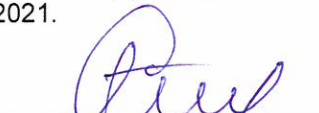
Janka Dimitrova
Manager

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
In thousands of MKD

	<u>Note</u>	<u>2020</u>	<u>2019</u>
OPERATING INCOME			
Sales	4	19.100	49.121
Other operating income	5	4.126	2.077
Total operating income		<u>23.226</u>	<u>51.198</u>
OPERATING EXPENSES			
Change of inventory		(6.628)	(338)
Costs of goods sold		(2.133)	(2.919)
Costs of material and maintenance	6	(16.161)	(16.492)
Wages, salaries and other expenses	7	(8.379)	(13.644)
Amortization/Depreciation	8	(5.555)	(5.100)
Other operating expenses	9	(7.766)	(11.729)
Total operating expenses		<u>33.366</u>	<u>50.222</u>
OPERATING PROFIT		<u>(10.140)</u>	<u>976</u>
FINANCE INCOME/(EXPENSE)			
Interest income/(expense), net	10	(1.233)	(1.345)
Foreign exchange gain/(loss), net	11	(64)	(17)
Finance expenses, net		<u>(1.297)</u>	<u>(1.362)</u>
PROFIT BEFORE TAX		<u>(11.437)</u>	<u>(386)</u>
Income tax	12	0	(19)
PROFIT/LOSS FOR THE YEAR		<u>(11.437)</u>	<u>(405)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u>(11.411)</u>	<u>(339)</u>
		<u>(26)</u>	<u>(65)</u>
Earnings/loss per share (in MKD)			
Income tax	13	<u>(4,24)</u>	<u>(0,15)</u>

The Board of Directors of POPOVA KULA Winery AD Demir Kapija adopted these financial statements on 26.02.2021.


Jordan Trajkov
Executive member of the Board of Directors



Andrijana Simovska
Certified Accountant

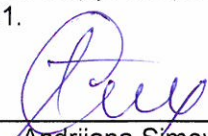
The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2020
In thousands of MKD

	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	135.878	140.790
Long term investments	15	0	0
		<u>135.878</u>	<u>140.790</u>
Current assets			
Inventories	16	36.488	31.186
Accounts receivable	17	6.945	10.024
Other current assets and prepayments	18	1.350	559
Cash and cash equivalents	19	5.195	3.805
		<u>49.978</u>	<u>45.574</u>
TOTAL ASSETS		<u>185.856</u>	<u>186.363</u>
EQUITY AND LIABILITIES			
Equity			
Owner's equity	20	166.050	166.050
Accumulated loss		(52.727)	(41.434)
Reserves		750	816
		<u>114.073</u>	<u>125.432</u>
Non-controlled interest		1.334	1.107
Non-current liabilities			
Long term financial liabilities	21	40.755	37.399
		<u>40.755</u>	<u>37.399</u>
Current liabilities			
Short-term financial liabilities	22	8.886	8.588
Accounts payable	23	14.818	6.877
Other current liabilities and accruals	24	5.990	6.959
		<u>29.694</u>	<u>22.424</u>
TOTAL EQUITY AND LIABILITIES		<u>185.856</u>	<u>186.363</u>

The Board of Directors of POPOVA KULA Winery AD Demir Kapija adopted these financial statements on 26.02.2021.


Jordan Trajkov
Executive member of the Board of Directors


Andrijana Simovska
Certified Accountant

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as of 31 December 2020
In thousands of MKD

	Shareholder's equity	Reser ves	Accumulat ed loss	Non- controlled interest	Total
Balance as of 1 January 2019	166.050	807	(41.164)	1.159	126.852
Total comprehensive income for 2019			(339)	(65)	(404)
Other increase/(decreases)		9	69	12	90
Balance as of 31 December 2019	166.050	816	(41.434)	1.106	126.538
Balance as of 1 January 2020	166.050	816	(41.434)	1.106	125.432
Total comprehensive income/loss for 2020			(11.437)	0	(11.437)
Other increase/(decreases)		(66)	144	228	78
Balance as of 31 December 2020	166.050	750	(52.727)	1.334	114.073

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
as of 31 December 2020
In thousands of MKD

	2020	2019
A) CASH FLOWS FROM OPERATING ACTIVITIES	(4.107)	8.853
Income before tax	(11.437)	(404)
Amortization/Depreciation	5.555	5.100
(Increase)/decrease of inventories	(5.301)	479
(Increase)/decrease of accounts receivables	3.058	(878)
(Increase)/decrease of other current receivables	(799)	(222)
(Increase)/decrease of prepayments	(27)	
(Increase)/decrease of accounts payable	8.177	(1.227)
(Increase)/decrease of advance payment payables		
(Increase)/decrease of other current liabilities	(1.499)	5.423
(Increase)/decrease of accruals	(335)	
Other cash inflows/(outflows) from operating activities	(1.499)	582
B) CASH FLOWS FROM INVESTING ACTIVITIES	1.782	(15.723)
Purchase (sale) of property, plant and equipment	1.782	(15.723)
C) CASH FLOWS FROM FINANCING ACTIVITIES	3.715	8.382
Increase/(decrease) of long-term liabilities	3.715	8.382
Net increase/(decrease) in cash and cash equivalents	1.390	1.512
Cash and cash equivalents, beginning of year	3.805	2.293
Cash and cash equivalents, end of year	5.195	3.805

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

1. CORPORATE INFORMATION

On the date of the preparation of the consolidated financial statements, i.e. on December 31 2020, the Company is registered with the following data:

Full name of the company: Company for production and trade Popova Kula Winery - Demir Kapija

Full name of the company: Popova Kula Winery

Address: "Bulevar na vinoto" No.1, Demir Kapija

Establishment date: 29.03.2006

Organizational form: JSC

Company size: Macro

ID number: 6100937

Tax number: MK4019006111464

Main activity: 11.02 – Wine production

The share capital is 166,050,000 MKD and consists of 2,700,000 ordinary shares issued to 756 owners-shareholders of which one legal entity participates with 51%. Executive member of the Board of Directors: Jordan Trajkov

Type of authorization: Unlimited authorization in internal and external trade

The governing bodies of the Company are:

Shareholders' Assembly and Board of Directors

The main activity of the Company for production and trade POPOVA KULA Winery AD, Demir Kapija and its subsidiaries (the Group), is wine production from grapes and wine tourism. The parent company POPOVA KULA Winery AD, Demir Kapija (in the following text the Company) is Shareholder's company registered under the Trade Company Law.

During 2008, the Parent Company founded and is 75% owner of the Company Popova Kula SP. ZOO Poland, a legal entity registered in the Republic of Poland. During 2012, the capital of the subsidiary is increased by an additional 110 thousand zlotys, whereby the additionally paid part by Popova Kula AD, Demir Kapija is 66 thousand Polish zlotys and according to the same as on December 31, 2013 participation in the capital of Popova Kula SP ZOO is 67.52%. The share remains at the same 67.52% in the current period. The Parent Company, in 2012 acquires 100% ownership in Stanushina DOOEL, Demir Kapija. As of December 31, 2020, the ownership is also 100%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1. Basis of consolidation**

According to the International Accounting Standard (IAS) 27 "Consolidated and Separate Financial Statements", the Company has compiled its Consolidated financial statements for the business year 2020 in accordance with the requirements of the accounting regulations applicable in the Republic of Macedonia, which consist of the Company's financial statements and the financial statements of Stanusina DOOEL Demir Kapija (100% owned by the Company).

As necessary reclassifications are performed of the data disclosed in the financial statements of subsidiary in order to align their accounting policies with the Company's policies.

2.2. Basis of Preparation and Presentation of the consolidated financial statements

Pursuant to the provisions of the Trade Companies Law (Official Gazette of the Republic of Macedonia no. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09, 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13), legal entities in Macedonia are required to maintain their books of account and to prepare their consolidated financial statements in conformity with the International Financial Reporting Standards officially adopted in the Republic of Macedonia and published in the Official Gazette of the Republic of Macedonia. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), published in Republic of Macedonia in the Rulebook for accounting (Official Gazette no.159/2009) effective from 1 January 2010. The consolidated financial statements have been prepared under the historical cost convention and going concern principle. In the preparation of these consolidated financial statements, the Company has adhered to the accounting policies described in Note 2.

The accounting policies applied to these consolidated financial statements are consistent with those used in the annual consolidated financial statements for the previous 2019 fiscal year by the parent company.

The Company's consolidated financial statements are stated in thousands of Denars (MKD). The denar is the functional and official reporting currency of the Company. All transactions in currencies that are not functional currency are considered to be transactions in foreign currency. The preparation of consolidated financial statements in conformity with accounting standards accepted in Republic of Macedonia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.

2.3. Going concern

The consolidated financial statements are prepared under the assumption of going concern. This means that the company will remain to operate in future and the Company has no intention or need to liquidate or significantly restrict its business activities in foreseeable future.

2.4. Use of Estimates

The preparation of the consolidated financial statements in accordance with in the accounting standards accepted in Republic of Macedonia requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as income and expenses for the reporting period.

These estimations and assumptions are based on information available as of the Consolidated Statement of financial position date. Actual results could differ from those estimates. These estimates are reviewed periodically and changes in estimates are recognized in the periods in which they become known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

The most significant use of judgments and estimates, which are set out in the summary of significant accounting policies and the respective explanatory notes, relate to impairment of financial and non-financial assets, financial liabilities and assessments for litigation' provisions.

2.5. Comparative Figures

Comparative figures represent the audited financial statements for the year ended 31 December 2019.

2.6. Income

Income is measured at the fair value of the consideration received or receivable, net of discounts and value added tax. Income is recognized and recorded at the moment that the contracted services have been provided or the goods have been sold.

2.7. Expenses

Expenses are recognized according the accrual basis of accounting (invoiced realization).

2.8. Operating Leases

Leases where the Company does not transfer substantially all the risks and rewards incidental to ownership of a leased asset to the lessee are classified as operating leases. Revenues and expenses based on operating leases are recognized in the period to which they relate.

The operating lease relates to the rental of offices, warehouses and other rental costs. The expenses mentioned above are recognized in the Statement of Comprehensive income when such costs incurred in accordance with applicable operating leases.

2.9. Maintenance and Repairs

The maintenance and repair of property, plant and equipment are expensed as incurred at the effective amounts and recognized in the Company's Statement of Comprehensive income.

2.10. Borrowing Costs

Borrowing costs are recorded as an expense during the period in which they are incurred.

2.11. Foreign Currency Translation and Accounting Treatment of Exchange Gains/Losses and Effects of Foreign Currency Clause Application

Statement of financial position and Statement of comprehensive income items stated in the financial statements are valued by using currency of primary economic environment (functional currency). As disclosed in Note 2.1, the accompanying financial statements are stated in thousands of Macedonian Denars (MKD), which represents the functional and official reporting currency of the Company.

Assets and liabilities' components denominated in foreign currencies are translated into MKD at the official exchange rates prevailing at the Statement of financial position date. Foreign currency transactions are translated into MKD at the official exchange rates in effect at the date of each transaction.

Foreign exchange gains or losses arising upon the translation of assets, liabilities and transactions are credited or debited as appropriate, to the Statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

2.12. Property, Plant and Equipment

Property, plant and equipment of the Company at 31 December 2020 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.

The useful life is estimated at least at the end of each financial year, and if there is a significant change in the expected movement of consumption of future economic benefits from the assets, the depreciation rate is changed as a result of the changed movement.

2.13. 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.

2.14. 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 (harvested grape) is recognized as inventories at its fair value less estimated costs of sell at the time of the vintage.

2.15. 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

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.

2.16. 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 in accordance with IAS 36 "Impairment of assets".

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

2.17. 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.

The cost of inventories includes the cost of direct materials, direct labor, other direct costs and related 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.

2.18. Equity Investments

Equity investments in associates are stated at cost. Associate is a legal entity in which the Company has a significant influence (usually 20% or more of voting rights).

2.19. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

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 of 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 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.

2.20. 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.

2.21. Employee Benefits

Taxes and social security contributions of employees

In accordance with the legislation of the Republic of Macedonia, the Company is obliged to pay contributions to several state social insurance funds. The Company makes these contributions to the Government's health and retirement funds, at the statutory rates in force during the year, based on gross salary payments.

The Company is also legally obliged to retain contributions from gross wages of employees and on behalf of the employees to pay the retained amounts in the appropriate state funds. The Company has no legal obligation to pay additional contributions to the Macedonia's pension and retirement fund with retirement. These obligations are recognized as an expense at the time of their occurrence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

2.22. Income tax*Current income tax*

Current income tax represents an amount that is calculated and paid in accordance with the effective Profit Tax Law of the Republic of Macedonia. Income tax is payable at the rate of 10% (2019: 10%) on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The taxable base stated in the income tax return includes profit for the year increased by the unrecognized expenses and less declared revenues that are specifically defined under statutory tax rules and decreased by tax relief.

Deferred taxes

Deferred taxes are recognized in cases of differences between the carrying amounts of assets and the liabilities in the financial statements and the carrying amounts as per tax regulations and are reported using the statement of financial position liability method. Deferred tax liabilities are recognised for all deductible temporary differences given that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. In these financial statements, there are no temporary tax differences.

2.23. Value added tax

Revenues, expenses and assets are recognized less the amount of value added tax, except when value added tax from the purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the cost where appropriate, and when receivables and payables that are stated with the amount of included VAT.

The net amount of value added tax which is reimbursed by or paid to the tax authorities is included as part of receivables or liabilities in the Statement of financial position.

2.24. Dividends

Dividends are recognized as a liability and deducted from equity in the period in which they are approved by the Company's owners. Dividends for the year that are declared after the Statement of financial position date are disclosed as an event after the Statement of financial position date.

2.25. Disclosures on related parties

For the purpose of the financial statements, related parties are those in which one entity has the ability to control another entity or has the right to govern the financial and business operations of the person, as defined by IAS 24 "Related parties' disclosure".

The relations between the Company and its related parties are set out on a contractual basis, conducted at market conditions. Balances of the liabilities and assets on the date of Statement of Financial Position, as well as transactions with related parties that occurred in the reporting period are stated separately in the notes to the financial statements (Note 26).

2.26. Government grants

Government grants, are recognized at fair value when there is reasonable assurance that the conditions attached to them are fulfilled, and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis in the period in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants are present as approvals in other comprehensive income, either separately or under a general heading such as "Other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

2.27. Events after the reporting period

Post-year-end events that provide additional information about a company's position at the Statement of financial position (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. 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.

3.1. 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.

The official exchange rates for major currencies used in the translation of statement of financial position items denominated in foreign currencies as of 31 December 2020, and 2019 were as follows:

	In MKD 2020	In MKD 2019
EUR	61,6940	61,4856
USD	50,2353	55,9518

b) Interest rate risk

Company is exposed to risk from changes in the interest rates which by changing the level of market interest rates affects the financial position and cash flows.

As of 31 December 2020, has interest bearing liabilities, but its expenses and operating cash flows are independent on changes in market interest rates, considering the fact that the Company's loans are with fixed interest rate.

(c) Price risk

Company is not exposed to price risk associated with initial investments since it has no investments classified in the Statement of financial position as available-for-sale or at fair value through displays of capital gain or loss.

The Company's exposure to price risk associated with the products is controlled by management that constantly monitors the competition, analyze price risk and take appropriate corrective measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

3.2. Liquidity Risk

Liquidity management is centralized in the Company. The Company has sufficient highly liquid funds (cash and cash equivalents), as well as a continuous inflow of cash from products sold and services rendered, to meet its commitments on due dates.

Management of the Company has responsibility for providing liquidity. The Company manages liquidity risk by maintaining a certain amount of free cash and cash equivalents and performs daily monitoring of cash and projections of future cash inflows and outflows.

The Company does not use financial derivatives.

3.3. Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions as well as credit exposure to corporate and retail clients, including the trade receivables and liabilities.

The Company's exposure to credit risk is limited. Credit risk management is performed by taking appropriate measures and activities by the Company. The Company monitors existing customers and other contracting parties and include this information in the management of credit risk, continually. Cash and cash equivalents's credit risk is considered insignificant as the Company works with reputable banks with high credit ratings.

3.4. Capital risk management

The Company has adopted the concept of financial capital and its preservation under which capital is defined on the basis of nominal monetary units.

Company in connection with the management objectives of Company's capital preservation ability to continue to operate based on the assumption of continuity to maintain an optimal capital structure that would reduce the cost of capital and would provide returns for owners.

In order to maintain or adjust the capital structure, the Company may consider the following options: to adjust the number of dividends paid to the owner, to return capital to the owner, to issue new shares or to sell assets to reduce debts.

3.5. Fair Value Estimation

It is a policy of the Company to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts.

In the Republic of Macedonia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, fair value cannot readily or reliably be determined in the absence of an active market. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

The Company's management considers that the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

4. SALES

	<u>2020</u>	<u>2019</u>
Sales in domestic market	14.666	40.732
Sales in foreign market	3.861	7.789
Revenues of own used products	573	600
Other revenues		
Total	<u>19.100</u>	<u>49.121</u>

5. OTHER OPERATING INCOME

	<u>2020</u>	<u>2019</u>
Income from subsidies, grants and donations	3.935	1.195
Profits from the sale of tangible and intangible assets	83	387
Other operating income	108	495
Total	<u>4.126</u>	<u>2.077</u>

Out of the total income from subsidies, 2,713 thousand MKD are income for financial support for salaries for 2020 that the Republic of North Macedonia paid to mitigate the consequences of COVID-19. For these subsidies until the date of preparation of the financial statements for 2020, we still do not have obtained decision for conversion of subsidies into a grant.

6. COSTS FOR MATERIALS AND MAINTANCE

	<u>2020</u>	<u>2019</u>
Electricity and fuel	1.375	2.311
Materials	13.337	12.123
Small inventory write-off	104	293
Maintance	762	734
Transport and telecommunication services	583	1.031
Total	<u>16.161</u>	<u>16.492</u>

7. WAGES, SALARIES AND OTHER PERSONAL EXPENSES

	<u>2020</u>	<u>2019</u>
Gross salaries	8.375	12.553
Other reimbursements to employees	4	1.091
Total	<u>8.379</u>	<u>13.644</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

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8. DEPRECIATION/AMORTIZATION	<u>2020</u>	<u>2019</u>
Depreciation (Note 14)	5.555	5.100
Total	<u>5.555</u>	<u>5.100</u>
9. OTHER OPERATING EXPENCES	<u>2020</u>	<u>2019</u>
Marketing expenses	908	1.344
Representation costs	391	707
Travel costs and per diems	297	1.157
Bank charges	236	641
Utilities and other services	0	958
Insurance premiums	71	139
Discounts, returns	0	179
Rents	328	303
Receivables write off	2.023	493
Taxes that do not depend on the result	0	283
Other non-material expenses	3.512	5.525
Total	<u>7.766</u>	<u>11.729</u>
10. INTEREST INCOME/(EXPENSE), NET	<u>2020</u>	<u>2019</u>
ПРИХОДИ ОД КАМАТИ		
Interest income from related parties		
Interest income from unrelated parties	17	(1.345)
Total	<u>17</u>	<u>(1.345)</u>
INTEREST EXPENSE		
Interest expense from related parties	1.115	0
Loans' interest expense and penalties	135	0
Total	<u>1.250</u>	<u>0</u>
Net interest expense	<u>(1.233)</u>	<u>(1.345)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

11. FOREIGN EXCHANGE GAIN/LOSS, NET		
	2020	2019
FOREIGN EXCHANGE GAIN		
Foreign exchange gain	86	—
Total	86	0
FOREIGN EXCHANGE LOSS		
Foreign exchange loss	150	(17)
Total	150	(17)
Net foreign exchange gain/(loss)	(64)	(17)
12. INCOME TAXES		
	2020	2019
Profit before tax	—	78
Receivables collected for which the tax base has been increased in the previous period	—	(1.040)
Unrecognized expenses	—	1.147
Tax base - unrecognized expenses	—	185
Income tax at the rate of 10%	—	19
Tax credit	—	—
Effective tax rate	0.00%	23.67%
13. EARNINGS/LOSS PER SHARE		
	2020	2019
Net income/(loss) for the holders of ordinary shares	—	—
Net income/(loss) for the year (in MKD)	—	—
Net income/(loss) for the holders of ordinary shares	—	—
Number of shares	2020	2019
Weighted average number of shares	—	—
Issued number of shares on 1 January	2.700.00	2.700.00
	0	0
Weighted average number of shares on 31 December	2.700.00	2.700.00
Basic earnings/(loss) per share (in MKD)	(4,24)	(0,15)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Property	Plant, equipment , furniture, vehicles	Viney ards	Lavand er	Assets in progr ess	Total
Cost as of							
01 January 2020	4517	118982	68129	1344 3	506	6662	212239
Increase	63	627	757	0		335	1782
(Decrease)			(527)	0		(612)	(1139)
Balance as of 31 December 2020	4580	119609	68359	13443	506	6385	212882
Impairment							
Balance as of 01 January 2020		28921	39898	2606	24	0	71449
Depreciation		2996	2159	349	51		5555
(Decrease)				0			0
Balance as of 31 December 2020		31917	42057	2955	75		77004
<i>Net book value at 31 December 2020</i>	<i>4580</i>	<i>87692</i>	<i>26302</i>	<i>1048 8</i>	<i>431</i>	<i>6385</i>	<i>135878</i>
<i>Net book value at 01 January 2020</i>	<i>4517</i>	<i>90061</i>	<i>28231</i>	<i>1083 7</i>	<i>482</i>	<i>6662</i>	<i>140790</i>
Cost as of							
01 January 2019	4517	108689	63503	13443		6189	196341
Increase		10293	5013		506	770	16582
(Decrease)			(387)			(297)	(684)
Balance as of 31 December 2019	4517	118982	68129	13443	506	6662	212239
Impairment							0
Balance as of 01 January 2019		26161	38261	2314	0		66736
Depreciation		2760	2024	292	24		5100
(Decrease)			(387)				(387)
Balance as of 31 December 2019	0	28921	39898	2606	24	0	71449
<i>Net book value at 31 December 2019</i>	<i>4517</i>	<i>90061</i>	<i>28231</i>	<i>1083 7</i>	<i>482</i>	<i>6662</i>	<i>140790</i>
<i>Net book value at 01 January 2019</i>	<i>4517</i>	<i>82528</i>	<i>25242</i>	<i>1112 9</i>	<i>0</i>	<i>6189</i>	<i>129605</i>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

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As of 31 December 2020, the carrying value of Company's vineyards is MKD 10.488 thousand (2019: MKD 10.837 thousand). The vineyards are planted on a surface of 17.7 ha,

Part of the property and equipment of the Company with a total estimated value of MKD 24.296 thousand are under mortgage as collateral for loan agreements concluded between Sparkasse Bank AD Skopje and Popova Kula AD.

15. LONG TERM INVESTMENTS

The group Popova Kula AD Demir Kapija includes:
 Popova Kula SP ZOO, Poland
 Stanushina Dooel Demir Kapija

16. INVENTORIES

	<u>2020</u>	<u>2019</u>
Raw materials	3039	3430
Small inventory and packaging	1254	1291
<i>Decreased for: small inventory write-off</i>		
Total	<u>4293</u>	<u>4721</u>
Unfinished products and semiproducts	<u>17111</u>	<u>10317</u>
Finished products	14928	16148
Trade goods	156	
Total	<u>32195</u>	<u>26465</u>
Balance as of 31 December	<u>36488</u>	<u>31186</u>

17. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Domestic accounts receivable	4088	5964
Related parties receivable		
Foreign accounts receivable	2658	4038
Receivables for given advance	199	22
Total	<u>6945</u>	<u>10024</u>

18. OTHER CURRENT ASSETS AND PREPAYMENTS

	<u>2020</u>	<u>2019</u>
Prepaid taxes	978	386
Receivables from employees	74	74
Other receivables	276	49
Prepayments	22	48
Balance as of 31 December	<u>1350</u>	<u>557</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

19. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Current account	1604	1752
Cash in hand	137	481
Foreign currency account	3454	1572
Balance as of 31 December	<u>5195</u>	<u>3805</u>

20. EQUITY

The Company's shareholders' equity structure as of 31 December 2020 and 2019 is as follows:

	<u>Number of shares</u>	<u>% according to Central Register of RM</u>
Inteko Doo Skopje	1.365.576	50.58%
Other minor shareholders	1.334.424	49.42%
Balance as of 31 December 2020	<u>2.700.000</u>	<u>100%</u>

	<u>Number of shares</u>	<u>% according to Central Register of RM</u>
Inteko Doo Skopje	1.365.576	50.58%
Other minor shareholders	1.334.424	49.42%
Balance as of 31 December 2019	<u>2.700.000</u>	<u>100%</u>

21. LONG-TERM FINANCIAL LIABILITIES

	<u>2020</u>	<u>2019</u>
Long-term loan in the country - Sparkasse Bank	9.131	8.186
Long-term loan from related parties	31.624	29.213
Long-term loans' interest from related parties		
Balance as of 31 December	<u>40.755</u>	<u>37.399</u>

Long term financial liabilities as of 31 December 2020 amount to MKD 40.755 thousand (2019: MKD 37.399 thousand) refers to financial liabilities on basis of the signed contract for loan with an individual - related party with purpose for improvement of current Company liquidity position.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

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The interest rate amounts 5% annually and is calculated monthly and long-term loan from Sparkasse Bank AD Dkopje amounting to MKD 10.455 thousand from which MKD 1.324 thousand mature in 2021. The interest rate is 4% and the deadline for repayment is 80 months (till 28.07.2027).

22. SHORT-TERM FINANCIAL LIABILITIES

	<u>2020</u>	<u>2019</u>
Short-term loan from individuals	0	3.052
Short-term part from long-term loans	5.184	1.364
Short-term loan from individual- related party	3.702	4.173
Interest liabilities to related parties		
Interest liabilities to unrelated parties		
	<u> </u>	<u> </u>
Balance as of 31 December	<u>8.886</u>	<u>8.589</u>

As of 31 December 2020, the short-term financial liabilities at the amount of MKD 3.702 thousand refer to liabilities on basis of signed Loan Contract No.03-362 from 01.09.2015 with an individual - related party, at the amount of 60.000 EUR and 1-year repayment period, with the possibility of extension for another year if payment is not demanded. The interest rate is calculated quarterly and amounts 4% annually, with aggrd annual payment up to 15 January.

The short-term financial liabilities at the amount of MKD 5.184 thousand refer to:

a) Short-term loan from individuals, amounting to MKD 2.460 thousand, are comprised from liabilities from the following two contracts: a) Contract No.03-363 from 01.09.2015 at the amount of 20.000 EUR (outstanding balance as of 31 December 2020 amounts 1.230 thousand of MKD) and (b) Contract No. 03-364 from 01.09.2015 at amount of 20.000 EUR (outstanding balance as of 31 December 2020 amounts 1.230 thousand of MKD). The loans are with 1-year repayment period, with the possibility of extension for another year if payment is not demanded. The interest rate is calculated quarterly and amounts 4% annually, with aggrd annual payment up to 15 January.

b) Short-term part fro, financial liabilities for loan from Sparkasse Bank AD Skopje maturing in 2021 at the amount of MKD 2.724 thousand.

23. ACCOUNTS PAYABLE

	<u>2020</u>	<u>2019</u>
Domestic accounts payable	12.023	60.64
Foreign accounts payable		240
Received domestic advances	2.795	4
Received foreign advances		176
Unrelated parties specific working payables		393
	<u> </u>	<u> </u>
Balance as of 31 December	<u>14.818</u>	<u>68.77</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2020

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24. OTHER CURRENT LIABILITIES AND ACCRUALS

	<u>2020</u>	<u>2019</u>
Liabilities to employees	629	1.205
State liabilities		282
Other current liabilities	234	11
Accruals	<u>5.127</u>	
Balance as of 31 December	<u>5.990</u>	<u>1.498</u>

25. RELATED PARTIES TRANSACTIONS

The balances of receivable and payable as of 31 December 2020 and 2019, refer from purchases and/or sales of goods/services from/to related parties of the Company and are presented in the table below:

RECEIVABLE	<u>2020</u>	<u>2019</u>
Popova Kula SP Zoo Polska	0	587
Stanusina Dooel Demir Kapija	4840	4482
Stanusina Dooel Demir Kapija - interests	1146	817
Stanusina Dooel Demir Kapija- given loans	10692	11101
Inteko Doo Skopje	0	0
Total	<u>16678</u>	<u>16987</u>
	<u>2020</u>	<u>2019</u>

PAYABLES and LIABILITIES

	<u>2020</u>	<u>2019</u>
Popova Kula SP Zoo Polska	0	0
Popova Kula's shareholder-given loan	30253	24714
Popova Kula's shareholder- short-term payables	4362	4172
Inteko Doo Skopje	<u>182</u>	<u>100</u>
Total	<u>34797</u>	<u>28986</u>

- b) Transactions with related parties for the year ended on 31 December 2020 and 2019 are provided in the review which follows:

	<u>2020</u>	<u>2019</u>
REVENUE		
Operating revenues		
Stanusina Dooel Demir Kapija	338	800
Popova Kula SP Zoo Polska	587	
Financial income (interest and foreign currencies gains)		
Stanusina Dooel Demir Kapija	<u>329</u>	
Total	<u>1254</u>	<u>800</u>
	<u>2020</u>	<u>2019</u>

NOTES TO THE FINANCIAL STATEMENTS
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EXPENSES		
Operating expenses		
Inteko Doo Skopje	123	160
Stanusina Dooel Demir Kapija	338	800
Financial expenses (interest and foreign currencies gains)		
Popova Kula's shareholder	100	0
Popova Kula's shareholder	15	0
PURCHASES		
Stanusina Dooel Demir Kapija	889	744

26. CONTINGENT LIABILITIES

Off-balance sheet exposure

As of 31 December 2020, the Company does not has off-balance sheet exposure.

27. LAWSUITS

As of 31.12.2020, the Company has initiated lawsuits. The management of the company considers that there are no uncertain obligations in the direction of litigation or claims.

28. TAX LIABILITIES

The tax liabilities stated in the financial statements cannot be considered final, as the tax authorities may review the business books within 5 to 10 years consecutively after the tax return has been filed and may impose additional tax liabilities and fines. The additional tax liabilities that would result from these reviews are difficult to determine with reasonable accuracy.

29. SUBSEQUENT EVENETS

Due to the COVID-19 virus pandemic, we are not able to realize a significant part of the revenues and related cash flows related to tourism services due to the restrictions imposed by the measures to reduce its consequences.

Due to that, the liquidity is disturbed and if the situation lasts, such illiquidity can endanger the survival of the Company. The board of directors and the management team will take action to minimize damage and avoid danger, but opportunities for action are limited and uncertain.

APPENDIX 1

Legal obligation to prepare consolidated annual accounts and consolidated financial statements in accordance with the regulations of the Company Law

According to article 476, paragraph 4 of the Company law, the Annual Account which is prepared by the companies shall be comprised of a **consolidated** balance sheet, **consolidated** income statement and other explanatory notes.

According to article 476, paragraph 6 of the Company law the **Consolidated** Annual Account and **consolidated** financial statements that refer to the same financial year and which are prepared in accordance with the regulations of the Company Law and accounting regulations should contain identical data on the assets, liabilities, revenues, expenditure, capital and the profit or loss of the Company for the financial year.

According to article 477, paragraph 6 of the Company law, the management body of the Company shall, in addition to the **consolidated** annual accounts and **consolidated** financial statements, be obliged, following the end of each business year, to prepare a report on the operations of the Company for the preceding business year with the contents set out at article 384, paragraph 7 of the Company law.

The **consolidated** annual accounts of the Company (**Consolidated** Balance sheet and **Consolidated** Income statement) and **Consolidated** Annual performance report are given in Appendices 2 and 3.

The board of directors of the Company has reviewed and approved the **Consolidated** Annual performance operating report.

POPOVA KULA WINERY, AD Demir Kapija

Chief Executive Officer
Jordan Trajkov

APPENDIX 2

Consolidated Annual accounts for the year 2020

- Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- Consolidated Income Statement (Consolidated Statement of Comprehensive Income)

Consolidated Annual business report for the year 2020