

POPOVA KULA WINERY JSC – Demir Kapija

CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE YEAR THAT ENDED ON 31.12.2022

WITH A REPORT OF THE INDEPENDENT AUDITOR

Skopje, April 2023

Contents

INDEPENDENT AUDITOR'S REPORT	3
Consolidated Statement of Comprehensive Income for the year ended December 31, 2022	5
Consolidated Balance Sheet as of December 31, 2022	6
Consolidated Statement of Changes in Capital for the year ended December 31, 2022	7
Cash Flow Statement for the year ended December 31, 2022.....	8
1. General Data	9
Explanatory notes to the Income Statement.....	15
Explanatory notes to the Statement of financial position.....	17
29. Related party transactions.....	19
30. Risk management.....	19
31. Potential and undertaken obligations	20
32. Events after the reporting date	21
Annex 1 – Annual Account.....	22

**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF POPOVA KULA WINERY JSC - Demir Kapija**

We have performed audit of the consolidated financial statements of **POPOVA KULA WINERY JSC** which included the following: Consolidated Statement of financial position as of 31 December 2022, Consolidated Statement of Comprehensive Income, Consolidated Cash flow statement, Consolidated Statement of changes in equity for the year ending on the aforementioned date, as well as the summary of relevant accounting policies and other explanatory notes.

Responsibility of the management for the consolidated financial statements

The Management is responsible for the preparation and objective disclosure of these consolidated financial statements, in accordance with the accounting standards adopted and applicable in the Republic of Macedonia, as well as for the internal controls relevant for drafting and objective presentation of the consolidated financial statements, free of any misstatements, regardless whether due to fraud or error.

Responsibility of the auditor

Our responsibility is expressing an opinion about these consolidated financial statements based on the preformed audit. We have performed the audit according to the International audit standards adopted and applicable in the Republic of North Macedonia. These standards require compliance with the ethical principles and planning and performing the audit in a manner to obtain reasonable conviction whether the consolidated financial statements are free of any material misstatements. This audit includes procedures for obtaining audit evidence about the amounts and disclosures in the consolidated financial statements. The selected procedures depend on the auditor's reasoning, including the risk evaluation against material misstatements in the consolidated financial statements, regardless whether due to fraud or error. When performing risk evaluation, the auditor inspects the internal control, relevant for preparation and objective presentation of the consolidated financial statements of the entity, in order to establish audit procedures adequate to the circumstances, however, not for the purpose of expressing an opinion about the effectiveness of the internal control of the entity. Furthermore, the audit also includes an evaluation about the adequacy of the applied accounting policies and the reasonability of the accounting evaluations made by the Management, as well as an evaluation of 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.

Opinion

In our opinion, the consolidated financial statements present objectively, from all material aspects, the financial situation of **POPOVA KULA WINERY JSC** as of December 31, 2022 and the results of its operations and its cash flows for the year ending then, in accordance with the accounting standards that are accepted in the Republic of North Macedonia.

Other questions

The financial statements of the Company **POPOVA KULA WINERY JSC** for the year ending on December 31, 2021 have been audited by another auditing company, which in its report on February 17, 2022 expressed an unqualified opinion.

Report on other legal and regulatory requirements.

The management of the Company is also responsible for preparation of the annual report on the operation in accordance with Article 384 paragraph 7 for JSC from the Trade Law. Our responsibility in accordance with the Law for Audit is to report whether the annual report for the work is consistent with the annual account and the financial statements for the year ending on December 31, 2022 year. Our work in relation with the annual report was concluded in accordance with IAS 720 and is limited to report whether the historical financial information presented in the annual report are consistent with the annual account and the audited financial reports.

Our opinion is that the annual report is consistent, in all material aspects, with the annual account and the audited financial reports of the **POPOVA KULA WINERY JSC** for the year ending on December 31, 2022 year.

Certified Auditor

Tina Neshovska

Skopje, 05th April 2023



Manager

Kiril Andonovski

ECOVIS AUDIT MACEDONIA LLC

РЕВИЗОРСКИ ИЗВЕШТАЈ		
ДАТУМ	ОЗНАКА	БРОЈ
05.04.2023	T.H	05-4/28

**Consolidated Statement of Comprehensive Income for the year ended
 December 31, 2022**
 (In thousand MKD)

	Note	31 December 2022	31 December 2021
Revenues			
Revenues from sales	5	48,029	41,662
Other revenues	6	2,294	3,010
		50,323	44,672
Costs			
Changes in inventories		4,293	(5,355)
Cost of used raw materials and other materials	7	(10,215)	(12,312)
Services with the character of material costs	8	(8,701)	(4,760)
Other operational costs	9	(10,839)	(6,243)
Salaries and salary allowances	10	(13,969)	(8,228)
Other operational expenses	11	(852)	(973)
Value adjustment (impairment) of non-current assets	12	(790)	0
Depreciation		(5,417)	(5,360)
		(46,489)	(43,231)
Operational profit/(loss)		3,834	1,441
Financial incomes	13	706	86
Financial costs	14	(1,973)	(1,724)
profit/(loss) before tax		2,567	(197)
Income tax		(4)	-
Net Profit (loss) for the financial year		2,563	(197)
Other comprehensive income			
TOTAL COMPREHENSIVE INCOME		2,563	(197)
COMPREHENSIVE INCOME FOR THE PERIOD BELONGING TO THE OWNERS			
		2,563	(197)
Earnings per share		0.61 -	0.07

Notes to the consolidated financial statements
 an integral part of these consolidated financial statements

These consolidated financial statements were approved by management of the Company on
 March 30th, 2023 and were signed on its behalf by:

Managing Director,

Mr. Jordan Trajkov

Consolidated Balance Sheet as of December 31, 2022
 (In thousand MKD)

	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	127,739	132,546
TOTAL NON-CURRENT ASSETS		127,739	132,546
CURRENT ASSETS			
Cash and cash equivalents	16	8,989	5,591
Trade Receivables	17	3,253	5,071
Receivables from state institutions	18	986	523
Receivables from employees	19	-	74
Short term financial assets	20	120	120
Prepaid expenses for future periods and accrued income	21	22	22
Stock	22	37,352	31,301
TOTAL CURRENT ASSETS		50,723	42,702
TOTAL ASSETS		178,462	175,248
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL			
Written capital		166,050	166,050
Reserves		736	752
Uncontrolled participation in ownership		1,152	1,312
Profit/Loss for the financial year		2,563	(197)
Transferred gain /(loss)		(52,523)	(52,452)
TOTAL CAPITAL		117,979	115,465
Non-current liabilities			
Long term liabilities	23	45,987	47,508
Total non-current liabilities		45,987	47,508
Current liabilities			
Trade liabilities	24	5,098	6,685
Liabilities toward employees	25	827	-
Current tax liabilities	26	453	757
Deferred payments of expenses and income for future periods	27	4,140	3,457
Short term liabilities for loans	28	3,978	1,377
Total current liabilities		14,496	12,275
TOTAL LIABILITIES		60,483	59,783
TOTAL CAPITAL AND LIABILITIES		178,462	175,248

Notes to the consolidated financial statements
 an integral part of these consolidated financial statement

Consolidated Statement of Changes in Capital for the year ended December 31, 2022

(In thousands MKD)

	Share capital	Uncontrolled participation in ownership	Reserves	Transferred gain /(loss)	TOTAL
Balance at 01.01.2021	166,050	1,334	750	(52,727)	115,407
New emission	-	-	-	-	-
Paid dividends	-	-	-	-	-
Profit/Loss for the period	-	-	-	(197)	(197)
Reinvested profit	-	-	-	-	-
Changes in the fair value of available-for-sale investments	-	(22)	2	-	(20)
Revaluation surplus from valuation of fixed assets	-	-	-	-	-
Balance at 31.12.2021	166,050	1,312	752	(52,924)	115,190
Profit distributed to the owners	-	-	-	-	-
Balance at 01.01.2022	166,050	1,312	752	(52,924)	115,190
Changes - adjustments	-	-	-	275	275
Impact of changes in accounting policies	-	-	-	-	-
Corrected balance on 01.01.2022	166,050	1,312	752	(52,649)	115,465
New emission	-	-	-	-	-
Paid dividends	-	-	-	-	-
Profit/Loss for the period	-	-	-	2,563	2,563
Reinvested profit	-	-	-	-	-
Increase of reserves	-	-	-	-	-
Revaluation surplus from valuation of fixed assets	-	-	-	-	-
Balance at 31.01.2022	166,050	1,312	752	(50,086)	118,028
Changes - adjustments	-	(160)	(16)	127	(49)
Impact of changes in accounting policies	-	-	-	-	-
Corrected balance on 31.12.2022	166,050	1,152	736	(49,959)	117,979

Notes to the consolidated financial statements
 an integral part of these consolidated financial statements

Cash Flow Statement for the year ended December 31, 2022

(In thousands MKD)

	31 December 2022	31 December 2021
A. Cash flow from operating activities		
Net income/(loss) after taxation	2,563	(197)
Adjustments:		
Depreciation	5,786	5,676
Increase/decrease of receivables from related parties	-	-
Increase/decrease of trade receivables	1,818	1,874
Increase/decrease of given advances	-	-
Increase/decrease of received advances	-	-
Increase/decrease of other receivables	(389)	731
Increase/decrease of inventories	(6,051)	5,187
Increase/decrease of liabilities toward related parties	-	-
Increase/decrease of trade liabilities	(1,587)	(8,369)
Increase/decrease of other short-time liabilities	1,206	(1,539)
Net (outflows) / inflows from operating activities	3,345	3,363
B. Cash flow of investment activities		
Purchase (sale) of tangible and intangible assets	(977)	(2,363)
Increase/decrease of long-term investments	-	-
Increase/decrease of given loans	-	-
Net (outflows) / inflows from investment activities	(977)	(2,363)
C. Cash flow of financing activities		
Increase of the capital	-	-
Increase/decrease of long-term loans	(1,521)	6,752
Increase/decrease of short-term loans	2,601	(7,509)
Increase in reserves	-	-
Correction of errors in previous periods	(49)	-
Paid dividends	-	-
Net (outflows) / inflows from financing activities	1,032	(757)
Increase/decrease of cash	3,400	398
Cash on beginning of the year	5,591	5,195
Cash on the end of the year	8,989	5,591

Notes to the consolidated financial statements
 an integral part of these consolidated financial statements

Notes about the consolidated financial statements

1. General Data

The Company for production and trade POPOVA KULA WINERY JSC Demir Kapija is a company established on 29th March 2006 year in the Central Registry of Republic of North Macedonia. The address of the Company is: Boulevard Street no. 1 Demir Kapija.

The main activity of the Company is **11.02 – Production of grape wine.**

2. Basis for consolidation

According to International Accounting Standard (IAS) 27 "Consolidated and Separate Financial Statements", the Company has compiled and issued its consolidated financial statements for the fiscal year 2022, in accordance with the requirements of accounting regulations applied in Republic of North Macedonia that include the financial statements of STANUSHINA DOOEL Demir Kapija, PKT DOOEL Demir Kapija i POPOVA KULA SP ZOO Poland. According to the legal regulations and international standards for financial reporting POPOVA KULA WINERY JSC is required to prepare consolidated financial statements because it is the only founder of STANUSHINA DOOEL Demir Kapija and PKT DOOEL Demir Kapija with 100% ownership and 67.52% ownership of POPOVA KULA SP ZOO Poland.

If necessary, reclassifications of the data disclosed in the financial statements of the subsidiaries have been made in order to align its accounting policies with the Company.

2.1. Basis of elaboration of consolidated financial statements

These consolidated financial statements have been drafted in accordance with the Company's Law (Official Gazette of RM, No. 28/2004 ... 187/2014) and the Accounting Regulation (Official Gazette of RM, No. 159 as of 29 December 2009, No. 164 as of 2010 and 107 as of 2011).

2.2. Use of estimates and judgments

In preparing of these consolidated financial statements, the Company applied certain accounting estimates. Certain items in the consolidated financial statements that cannot be accurately measure are assessed. The assessment process involves judgments based on the latest available information. Estimates are used when estimating the useful lives of assets, fair value of receivables or their collectability, obsolescence of inventories, fair value of investments available for sale etc.

During the period, some estimates may be revised if changes occur, regarding the circumstances on which the estimate was based or as a result of new information, more experience or subsequent developments.

The effects of changing the accounting estimates are included in the calculation of net profit or loss in the period of change and / or in future periods if the change affects both.

2.3. Continuity

The consolidated financial statements have been prepared based on the assumption for continuity, i.e. company will continue to operate for the foreseeable future. The Company has no intention or need to liquidate or materially limit the scope of its operations.

2.4. Transactions in foreign currency

Transactions denominated in foreign currency have been presented in MKD according to the official exchange rate of the National Bank of the Republic of Macedonia, valid on the day of the transaction.

The assets and liabilities in foreign currencies have been presented in MKD according to the official exchange rate valid on the date of preparing the Balance sheet, and all positive and negative exchange rate differences arising from conversion of the amounts in foreign currency, have been included in the Statement for comprehensive income in the period when they occurred.

The following are the median foreign exchange rates applied to present the positions denominated in foreign currency in the Balance Sheet:

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
1 EUR	61.4932	61.6270
1 USD	57.6535	54.3736
1 GBP	69.3350	73.4267

2.5. Non-current assets

The non-current assets are recognized and presented as per their purchase value that includes the invoice amount increased for all the cost that will later occurs.

The capital improvements, renewals and repairs that prolong the life of the asset are capitalized. Repairs and maintenance operation are recognized as expenses when they are incurred and included in operating costs.

2.6. Non-tangible Assets

Non-tangible assets are comprised of software packages and are presented according to their acquisition value reduced for accumulated depreciation. Expenses related to maintenance of the software are recognized as expenses at the time when they occurred.

2.7. Depreciation

Depreciation of immovable, equipment and non-tangible assets is estimated proportionally, in order to completely write-off the acquisition value of the assets according to their estimated productive life. Constructed assets are depreciated from the period of their commissioning. Depreciation is not estimated for ongoing investments.

The prescribed depreciation rates of the real estate, the plants and the equipment applied are the following:

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Buildings	10-40 years
Equipment	10 years
Transportation	4-10 years
Other equipment	4-10 years
Non-tangible assets	4 years

2.8. Investments in immovable

Investments in immovable are comprised of buildings under operating lease. Investments in immovable are initially recognized according to their acquisition value, including transaction expenses and are subsequently depreciated.

Subsequent expenses are included in the recorded amount of the asset only in case when there is a possibility for future benefit for the Company and when the expense may be estimated. All other expenses for repairs and maintenance are calculated in the Statement of comprehensive income for the financial year when they occurred.

The depreciation of investments in immovable is calculated according to the straight-line method for a period of 40 years.

2.9. Asset impairment

Assets with unlimited use period which are not depreciated are subject to the annual analysis of the possibilities for their impairment. The depreciated assets are subject to analysis of the possibility for their impairment in cases when there are conditions indicating that their current accounting value is higher than their compensating value, which indicated that they have been impairment. The loss due to impairment is recorded for the amount for which the current value exceeds the compensating value. The compensating value is the higher value of the net sale value of the asset, reduced for the sale expenses and the value in use of the assets.

2.10. Settlement of Financial Instruments

Financial assets and liabilities are settled and the net value is presented in the Balance Sheet, in cases when there is a lawful executive right to settle recognized values and there is a possibility to make the settlement on a net basis or realize the assets simultaneously and settle the liabilities.

2.11. Inventories

Inventories are disclosed according to the lower value of the acquisition and the net sale value. The acquisition value is comprised of the invoiced value, transportation expenses and other related expenses. The acquisition value is determined according to the average cost method.

2.12. Financial Instruments

All financial instruments are initially recognized according to the market value, including direct dependent expenses of the transaction.

Financial assets and liabilities are settled and net value is presented in the Balance Sheet.

2.13. Trade receivable, given loans and other receivables

Trade receivables are amounts from the buyers as a result of selling goods or provided services during normal operation. Trade receivable is presented according to their nominal value reduced for the adjustments for estimated un-compensating amounts. The adjustment of the receivables is presented when there is objective evidence that the Company will not be able to collect all outstanding amounts in accordance with the original conditions when the receivables occurred.

Significant financial difficulties of the debtor, the probability for bankruptcy or financial reorganization, as well as prolonging or impossibility for payment are indicators that the accounts receivables have been impaired.

Write-off of receivables is prepared according to the maturity structure of the receivables and the historical experience and when it is estimated that the partial or complete collection of the receivables is no longer probable. The accounting value of the asset is reduced through the adjustment of value of the receivable and the amount of the expense is presented in the Statement of comprehensive income. When the receivable is uncollectable, it is written-off on the expense of the receivables. Subsequent collection of previously written-off receivables and adequate reduction of the adjustment are recognized as an income.

2.14. Cash and cash equivalents

Cash and cash equivalents include assets on the transaction accounts, cash and other highly liquid investments with initial maturity up to three months or less, which are convertible into known monetary amounts and are exposed to an insignificant risk of change in value.

2.15. Basic Capital and Accumulated gain/loss

a) Basic capital

In total capital the company includes:

- Funds invested (cash and non-cash deposit) of the founder written in the Central Registry of RM
- Own shares that are decreased from the total equity until they are sold
- Revaluation reserves based on the gains (losses) on tangible assets and financial assets available for sale
- Reserve fund as allocation of 5% from the profit for the current year and in accordance with the Company's Law. The allocation ends until reserves reach the amount of 1/10 of the Basic capital
- Current gain (loss) is the gain (loss) from the Profit and Loss Account
- Accumulated (loss) includes the retained gain (uncovered losses) from previous periods.

2.16. Financial Liabilities

Financial Liabilities per depreciated purchase value are comprised of trade payables and other liabilities and loans.

Trade payables

Trade payables are disclosed in the amount of nominal values arising from business transactions. Liabilities are recorded as current liabilities if they are paid within one year or less. If they do not comply with the prescribed condition, they are classified as non-current liabilities. Trade payables are recorded according to their par value.

Trade payables are written-off upon expiry of the period for obsolescence on the expense of the revenue.

Loans

Loans are initially documented according to their fair value. Loans are classified as current liabilities, except if the Company has unconditional right to settle the liability within at least 12 months after the date of the Balance Sheet.

2.17. Profit Tax (Annual tax on non-recognized tax expenditures)

Profit tax is calculated on tax basis presented in the Tax Balance. According to the law regulations, profit tax is paid at the rate of 10%.

The tax basis is sum of the profit before taxation presented in the Statement of Comprehensive Income and non-recognized expenditures for tax purposes such as:

- Estimated costs over the average price of materials and trade goods.
- The difference between the transfer price and the market price in trade between related parties.
- The cost of employees who are not with recognized as an expense for tax purposes in the Profit Tax Law.
- Representation and sponsorships above the limit according to the Profit Tax Law
- Written off trade receivables.
- Payments to unemployed persons (members of the Management Board, sales agents, etc.).
- Depreciation higher than depreciation calculated on a straight-line method.
- Residual current value of fixed assets.
- Dividends paid.
- Made reservations.

2.18. Employee Remunerations

Gross salaries to the employees are paid in amount concluded from the contract with the employer. The contributions from salaries (pension and health insurance, additional health insurance and employment) in the amount of 28% are paid on tax basis consistent of the amount of gross salary. The personal tax in the amount of 10% is paid on the amount of gross salary decreased for the amount of paid contributions and annual personal tax relief.

2.19. Reservations

The Reservations is recognized when the Company has current liability as a result of an event in the prior period and there is probability of outflow of assets which include economic benefit for settlement of such liability, and at the same time making a reliable assessment of the amount of such liability. Reservations are revised at each date of drafting the Balance Sheet.

2.20. Recognition of income and expenses

The income is measured according to the fair value of the received amount, i.e. the amount which should be received for sold products and goods, provided services, net VAT and any allowed sales discounts. The income is recognized when the amount of the income may be precisely measured and when it is expected that the economic benefit of the performed transaction shall result in inflow in the Company, when the incurred expenses or future expenses may be precisely measured and when the criteria for different activities of the Companies are fulfilled.

Revenues from services

Revenues from services are recorded according to the degree and when it can reliably be measured. The degree of completion is determined based on the inspection of work performed.

Financial income and expenses

Financial income is recognized on a time basis, which reflects the effective transfer of assets. Financial expenses are comprised of expenses for the loan interests and expenses for interest on deferred payments.

Operating expenditures

The operating expenditures are recognized as profit or loss at the time when the services are used, i.e. the period when they occur.

3. Critical judgments in applying accounting policies

The estimates and underlying assumptions are reviewed on a daily basis. The accounting estimates are recognized in the period in which they are revised if such revision affects only that period, as well as future periods if the revision affects the current and future periods.

Impairment of receivables

The company inspects its receivables annually at the reporting date to make assessment for impairment. The company assesses whether the impairment loss should be recorded in the statement of comprehensive income based on the existence of real data that give an indication of a reduction in the estimated future cash flows. This evidence basically involves real data that give an indication of the existence of adverse changes in the payment status of customers, or international and local economic conditions. Management makes estimates based on experiences of past losses for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when a plan of future cash flows.

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The methodology and assumptions used for estimating the amount and timing of future cash flows are regularly reviewed in order to reduce differences between anticipated losses and actual losses.

Key sources of estimation uncertainty

The company's management believes that there are not key sources of estimation uncertainty, with a significant risk of a possible material adjustment on the amounts of assets and liabilities within the next financial year.

4. Consolidated financial statements

In year 2022 the Company has prepared the following:

- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Cash Flow Report
- Consolidated Report on the changes in the principal capital
- Notes to the consolidated financial statements

Besides the cited consolidated financial statements, the company has prepared statements which are required as pursuant to the Macedonian regulations, as follows:

- Tax balance
- Special data on state evidence
- Report on the structure of incomes per activities.

Explanatory notes to the Income Statement

5 Revenue from sales

Description	2022	2021
Revenue from sales of goods and services on domestic market	38,199	38,164
Revenue from sales of goods on foreign market	9,830	3,498
TOTAL	48,029	41,662

6 Operational incomes

Description	2022	2021
State financial assistance and grants	1,490	2,676
Other operational incomes	804	333
TOTAL	2,294	3,010

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 Cost of raw materials and other materials

Description	2022	2021
Cost of materials (production)	4,141	9,039
Energy costs (production)	3,180	2,183
Costs for small inventory, packaging and car tires	88	362
Cost of goods sold	2,807	728
TOTAL	10,215	12,312

8 Services with the character of material costs

Description	2022	2021
Transport services	1,077	543
Telephone services, internet services	243	-
Maintenance services	1,277	694
Rent	303	335
Utilities	917	735
Advertising costs, propaganda, fairs	975	1,371
Other services	3,910	1,082
TOTAL	8,701	4,760

9 Other operational expenses

Description	2022	2021
Representation	362	362
Insurance premiums	19	26
Bank provision	577	375
Taxes that do not depend on the result, membership fees, etc.	301	405
Other costs	9,580	5,075
TOTAL	10,839	6,243

10 Gross salaries of employees and other compensations

Description	2022	2021
Gross salaries of employees	13,902	7,590
Other costs	66	638
TOTAL	13,969	8,228

11 Other operating expenses

Description	2022	2021
Expenses for approved discounts, rebates, advertisements	78	114
Penalties, shortages, reimbursement and other	62	788
Other operating expenses	712	71
TOTAL	852	973

12 Value adjustment (impairment) of non-current assets

Description	2022	2021
Value adjustment (impairment) of real estate investments	790	-
TOTAL	790	-

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 Financial incomes

Description	2022	2021
Income from exchange rate differences with related parties	-	48
Incomes from interest from working with unrelated parties	493	38
TOTAL	493	86

14 Financial expenses

Description	2022	2021
Expenses from interest with related parties	940	-
Expenses for interest from unrelated parties	527	1,690
Expenses from exchange rate differences with unrelated parties	292	34
TOTAL	1,760	1,724

Explanatory notes to the Statement of financial position

15 Property, plant and equipment

Description	Land	Buildings	Plant and equipment	Tools, plant and office equipment, furniture	Real estate investments in preparation	TOTAL
Changes in 2021						
Purchased Value on 01.01.	4,581	119,609	67,881	14,456	6,196	212,722
New supplies	-	226	280	2,789	1,857	5,152
Alienated, Scrapped assets	-	-	-	-	(2,789)	(2,789)
Balance on 31.12.	4,581	119,835	68,160	17,245	5,264	215,086
Accumulated depreciation						
Balance on 01.01.	-	(31,917)	(41,756)	(3,171)	-	(76,845)
Current depreciation	-	(3,000)	(2,296)	(397)	-	(5,693)
Alienated, Scrapped assets	-	-	-	-	-	-
Balance on 31.12.	-	(34,918)	(44,052)	(3,568)	-	(82,538)
Changes in 2022						
Purchased Value on 01.01.	4,581	119,835	68,160	17,245	5,264	215,086
New supplies	-	3,246	668	-	-	3,914
Alienated, Scrapped assets	-	-	(977)	-	(2,937)	(3,914)
Balance on 31.12.	4,581	123,081	67,851	17,245	2,328	215,086
Accumulated depreciation						
Balance on 01.01.	-	(34,918)	(44,052)	(3,568)	-	(82,538)
Current depreciation	-	(3,018)	(2,292)	(476)	-	(5,786)
Alienated, Scrapped assets	-	-	977	-	-	977
Balance on 31.12.	-	(37,935)	(45,367)	(4,044)	-	(87,347)
Book value						
Balance on 31.12.2022	4,581	85,146	22,484	13,201	2,328	127,739
Balance on 31.12.2021	4,581	84,917	24,108	13,677	5,264	132,546

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 Cash and cash equivalent			
	Description	2022	2021
	Bank accounts local currency	1,184	984
	Cash at hand	440	268
	Money on bank accounts foreign currency	7,365	4,339
	TOTAL	8,989	5,591
17 Trade Receivables			
	Description	2022	2021
	Trade receivables - domestic	1,147	1,836
	Trade receivables - foreign	2,079	3,056
	Receivables for given advances, deposits domestic	26	179
	TOTAL	3,253	5,071
18 Receivables from state institutions			
	Description	2022	2021
	Receivables from state authorities and institutions	986	523
	TOTAL	986	523
19 Receivables from employees			
	Description	2022	2021
	Other receivables from employees	-	74
	TOTAL	-	74
20 Short-term financial assets			
	Description	2022	2021
	Receivables from loans	120	120
	TOTAL	120	120
21 Prepaid expenses for future periods and accrued income			
	Description	2022	2021
	Prepaid expenses	22	22
	TOTAL	22	22
22 Stock			
	Description	2022	2021
	Stock of raw materials	5,967	3,202
	Stock of goods	14,780	14,620
	Spare parts supplies, small inventory, packaging	1,159	1,218
	Production	15,446	12,261
	TOTAL	37,352	31,301
23 Long-term liabilities			
	Description	2022	2021
	Long-term liabilities	45,987	47,508
	TOTAL	45,987	47,508

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Trade liabilities

Description	2022	2021
Trade liabilities- domestic	4,808	6,685
Liabilities for received advances, deposits domestic	290	-
TOTAL	5,098	6,685

25 Liabilities toward employees

Description	2022	2021
Other liabilities to employees	827	-
TOTAL	827	-

26 Current tax liabilities

Description	2022	2021
Other tax liabilities	453	757
TOTAL	453	757

27 Deferred payments of expenses and income for future periods

Description	2022	2021
Deferred payments of expenses	4,140	3,457
TOTAL	4,140	3,457

28 Short - term financial liabilities

Description	2022	2021
Short - term financial liabilities	3,978	1,377
TOTAL	3,978	1,377

29. Related party transactions

In 2022, the Company has transactions with entities that according to the Law on Trade Companies have treatment as related parties. Transactions with related entities are shown in the following table:

(in thousand denars)

DESCRIPTION	Receivables	Liabilities
STANUSHINA DOOEL	6,449	-
STANUSHINA DOOEL – loans	6,129	-
STANUSHINA DOOEL - interest	1,634	-
POPOVA KULA SP ZOO Polska	1.145	-
INTEKO DOO Skopje	-	297
PKT DOOEL	2,073	1,645
TOTAL	17,430	1,942

30. Risk management

In the normal course of conducting its business activities, the Company according to the nature of the work, can enter the various risks of individual transactions can be traced to different degrees of

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

exposure, such as: market risk (including: the risk of exchange rate risk, interest rate), liquidity risk, credit risk management, capital risk and estimates of fair value.

In relation with the issue of risk management, the Company focuses on the unpredictability of markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk of Exchange Rate Differences

The company tackles the risk of exchange rate differences, which may be defined as losses due to increases in the foreign exchange rate in companies with import transactions, by timely payment of the liabilities due to foreign suppliers and contracts for payment into reliable currencies.

The company does not have a special policy for managing this type of risk, having in consideration that there are no special financial instruments in Macedonia for avoiding this risk.

Interest Rate risk

There is an interest rate risk in the case of credits agreed upon in foreign currencies by the company, which, by changing the level of market interest rates influences its financial standing and cash flow.

Liquidity risk

The liquidity risk management is done on a central level in the Company. There is a risk of illiquidity when the Company cannot regularly pay for its liabilities from its monetary assets.

This risk is mediated by constant provision of the necessary cash to service the liabilities. The Company does not use financial derivatives.

Credit risk

Credit risk is the result of cash and cash equivalents, deposits in banks and financial Institutions, as well as credit exposure to corporate clients, including receivables and payables. Credit risk management is done by undertaking adequate measures and activities by the Company.

Capital risk management

The objectives of the Company as regards capital management include maintaining the capability of the company to continue operation based on a going concern, in order to keep the optimal structure, which would reduce the capital expenses and would provide inflow for the owners.

Assessment of par value

The Company has a policy of disclosing information regarding the par value of the components of assets and liabilities for which there are market costs available, and for those for which the par value may significantly differ from the accounting value.

31. Potential and undertaken obligations

Court disputes

The Company is a defendant in a large number of court proceedings arising from the Company's regular operations. The Company's management believes that there are no significant future obligations from these lawsuits.

POPOVA KULA WINERY JSC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On the other hand, the Company appears as a plaintiff in a large number of court proceedings arising from the regular operation of the Company, which mainly represent lawsuits due to unpaid claims for works performed. Contingent assets are not recognized in the financial statements.

Tax risk

The consolidated financial statements and the accountancy evidence of the Company are subject to tax control by the tax authorities in the period of 5 years after the submission of the tax report on the financial year and can generate further tax obligations. According to the estimations of the Management of the Company there are no additional conditions that could result in potentially materially important obligations on this basis even on the date of these statements.

Capital commitments

No capital liabilities are recorded on the Balance sheet dates that are not already recognized in the consolidated financial statements.

32. Events after the reporting date

No events which, by their importance, would cause necessary change in the financial statements have occurred in the period from December 31st 2022 until the date of the issuance of the auditor's report.

Annex 1 – Annual Account