
ÎS „CALEA FERATA DIN MOLDOVA”

**Financial statements
For the year ending 31 December 2022**

**Submitted in accordance with
International Financial Reporting Standards ("IFRS")**

ÎS „CALEA FERATA DIN MOLDOVA”
FINANCIAL STATEMENTS
For the financial year ending 31 December 2022

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INDEPENDENT AUDITOR'S REPORT

To the founder of the Î.S. Calea Ferată din Moldova
Chisinau, Republic of Moldova

Disclaimer of Opinion

1. We were engaged to audit the individual Financial Statements of Î.S. Calea Ferată din Moldova ("the Entity"), prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise the statement of financial position as of 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.
2. We do not express an opinion on the accompanying individual Financial Statements of the Entity. Because of the significance of the matters described in the section in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Comparative information

3. As a result of auditing the individual financial statements for the year ended 31 December 2021, we were unable to express an opinion on the Entity's individual financial statements prepared under IFRS. Accordingly, it was not possible to perform audit procedures to obtain sufficient appropriate audit evidence to confirm the accuracy of prior year balances and comparative information included in the financial statements for the year ended 31 December 2022. As a result, we were unable to assess whether adjustments to the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2022, are necessary. Any adjustment, if required, to the opening balances would affect the result of 2022. Also, our opinion on the financial statements for the current period is modified due to possible effects on the comparability of the current period financial information with the corresponding figures.

IFRS financial statements

4. In adopting IFRS for the first time, IAS 29 "Financial Reporting in Hyperinflationary Economies", was not applied, thus weren't considered neither changes in general price levels nor specific price increases of recognized assets or liabilities. This affects the value of property, plant and equipment acquired prior to these hyperinflationary periods and affects the share capital of the Entity. In addition, prior period amounts required by IAS 1 "Presentation of Financial Statements" (as revised in 2007) and any information relating to prior periods have not been expressed in terms of the unit of measure existing at the end of the reporting period. Thus, it was not possible to perform audit procedures to obtain sufficient and appropriate audit evidence to confirm the fair value of the opening balances on 1 January 2022, and comparative information included in the financial statements for the year ended 31 December 2022. The audit opinion on the Financial Statements as of 31 December 2021 also contains a paragraph in the Basis for disclaimer of opinion on this issue.

Revenue

9. As disclosed in Note 5 "Revenue" to the Financial Statements, the Entity recorded for the year ended 31 December 2022, revenue in the amount of 1,159,764 thousand lei. This item, significant in terms of its value and the complexity of the systems used, is subject to an inherent risk as to the completeness and accuracy of the revenue recognized for the year ended 31 December 2022. The internal control system over information technology is not sufficient to ensure the reasonableness of revenue recognition and customer receivables as required by IFRS 15 "Revenue from Contracts with Customers". The information systems used are outdated and not adequately maintained. Considering the nature and level of the inherent risk associated with revenue recognition, it was not possible to perform alternative audit procedures to obtain sufficient evidence of the completeness and accuracy of revenue and receivables from customers. The effect of this departure from the International Financial Reporting Standards on the Entity's statement of financial position has not been determined for the year ended 31 December 2022. The audit opinion on the Financial Statements as of 31 December 2021 also contains a paragraph in the Basis for disclaimer of opinion on this issue.

Related parties

10. As disclosed in Note 26 "Related party transactions" to the Financial Statements, the Entity does not maintain sufficient records to enable Management to identify all related party transactions for the year ended 31 December 2022, and balances as of 31 December 2022. Accordingly, we were unable to determine whether additional disclosures are required in the notes regarding related party transactions in accordance with International Accounting Standard 24 "Related Party Disclosures". The audit opinion on the Financial Statements as of 31 December 2021 also contains a paragraph in the Basis for disclaimer of opinion on this issue.

Other information - Statement on the management report

11. The Entity's management is responsible for the preparation and presentation of the Management Report in accordance with the Accounting and Financial Reporting Law No. 287 of 15.12.2017 (Law No. 287/2017), Article 23 and for such internal control as management determines is necessary to enable the preparation and presentation of the Management Report that is free from material misstatement, whether due to fraud or error.
12. The management report is not considered a part of the individual financial statements.
13. In connection with the audit of the individual financial statements for the year ended 31 December 2022, our responsibility is to read the Management Report and in connection therewith to assess whether there are material inconsistencies between the Management Report and the individual financial statements, whether the Directors' Report includes, in all material respects, the information required by Law No. 287/2017, Article 23 and whether based on our knowledge and understanding acquired during the audit of the individual financial statements with respect to the Entity and its environment, the information included in the Management Report is materially misstated.
14. We are asked to report on these issues. Based on the work carried out, we report that:
- a. We have not identified any information in the Management Report that is not consistent in all material respects with the information presented in the accompanying individual financial statements;
 - b. The Management Report identified above includes, in all material respects, the information required by Law No. 287/2017, Article 23.
15. Furthermore, based on our knowledge and understanding obtained during our audit of the individual financial statements for the year ended 31 December 2022 with respect to the Entity and its environment, we have not identified any information included in the Management Report that is materially misstated.

ÎS „CALEA FERATA DIN MOLDOVA”
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ending 31 December 2022
All amounts are expressed in thousands of MDL unless otherwise specified

	Note	2022	2021
		MDL '000	MDL '000
Revenue	5	1,159,764	535,105
Cost of sales	7	(1,043,048)	(629,087)
Gross margin		116,716	(93,982)
Other income	6	155,999	147,181
Other expenses	9	(157,919)	(74,147)
Administrative expenses	8	(59,493)	(45,034)
Provisions and depreciation expenses	10	(24,995)	(8,966)
Operational result		30,308	(74,948)
Financial result	13	7,549	621
Income tax expenses (savings)	14	29,832	2,871
Net (loss) profit		67,689	(71,456)
Other comprehensive income			
Change in revaluation reserves		-	-
Other comprehensive income of the year		-	-
Total comprehensive income (loss) for the year		67,689	(71,456)

On 19 January 2023 the ÎS Calea Ferată din Moldova approved these financial statements for issue.

General Director



Financial Director

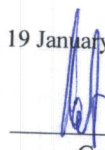
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ÎS „CALEA FERATA DIN MOLDOVA”
STATEMENT OF FINANCIAL POSITION
For the financial year ending 31 December 2022

All amounts are expressed in thousands of MDL unless otherwise specified

	Note	31 December 2022 MDL '000	31 December 2021 MDL '000
ASSETS			
Non-current assets			
Property, plant and equipment	15	3,070,871	3,141,428
Intangible assets	16	1,568	1,296
Financial assets	17	4,778	4,777
Total non-current assets		3,077,217	3,147,501
Current assets			
Inventories	18	129,575	137,974
Trade and other receivables	19	232,666	37,321
Cash and cash equivalents	20	27,811	28,798
Total current assets		390,052	204,093
TOTAL ASSETS		3,467,269	3,351,594
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2,628,680	2,475,231
Retained earnings		(1,147,855)	(1,158,320)
Revaluation reserve		1,062,861	969,421
Total equity		2,543,686	2,286,332
Non-current liabilities			
Loans	22	408,031	306,219
Deferred income	25	12,514	115,188
Provisions for other liabilities	23	36,816	31,330
Deferred tax	14	45,710	74,541
Total non-current liabilities		503,071	527,278
Current liabilities			
Trade and other payables	24	291,803	330,855
Loans	22	119,455	147,772
Deferred income		9,254	59,357
Total current liabilities		420,512	537,984
Total liabilities		923,583	1,065,262
TOTAL EQUITY AND LIABILITIES		3,467,269	3,351,594

On 19 January 2024 the ÎS Călea Ferată din Moldova approved these financial statements for issue.


General Director


Financial Director

IS „CALEA FERATA DIN MOLDOVA”
STATEMENT OF CHANGES IN EQUITY
For the financial year ending 31 December 2022
All amounts are expressed in thousands of MDL unless otherwise specified

	Share Capital	Other reserves	Retained earnings	Total
	MDL '000	MDL '000	MDL '000	MDL '000
On 1 January 2021				
Share capital increase	2,475,231	969,461	(1,082,021)	2,362,670
Net loss for the year	-	-	-	-
Revaluation of Property, Plant and Equipment	-	-	(71,456)	(71,456)
Other movements	-	(39)	-	(39)
On 31 December 2021 / 1 January 2022	2,475,231	969,422	(1,158,320)	2,286,332
On 31 December 2022				
Share capital increase	153,449	-	-	153,449
Net loss for the year	-	-	66,689	66,689
Revaluation of Property, Plant and Equipment	-	93,439	-	93,439
Other movements	-	-	(53,215)	(53,215)
On 31 December 2022	2,628,680	1,062,861	(1,147,854)	2,543,687

On 19 January 2024 the IS „Calea Ferata din Moldova” approved these financial statements for issue.

General Director

Calancea

Financial Director



ÎS „CALEA FERATA DIN MOLDOVA”

STATEMENT OF CASH FLOWS

For the financial year ending 31 December 2022

All amounts are expressed in thousands of MDL unless otherwise specified

	Note	2022 MDL '000	2021 MDL '000
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxation		66,689	(71,456)
Adjustments for:			
Depreciation of property, plant and equipment	14	46,611	120,983
Unrealised foreign exchange losses/(profits)		94,386	(83,662)
Depreciation of intangible assets	15	851	830
Provisions for future losses from litigations		(4,490)	6,423
Interest expenses	13	7,971	11,043
Dividends received		-	-
Income from obtaining property, plant and equipment free of charge		(1,041)	(5,425)
Result of previous year's corrections		(19,448)	84,189
Impairment of other assets		24,995	2,543
Cash flow from operations before change in working capital		216,524	65,468
Changes in inventories		8,399	10,339
Changes in trade and other receivables		(195,345)	(5,131)
Changes in trade and other payables		39,052	22,774
Net cash flow from operating activities		68,630	93,450
CASH FLOW FROM INVESTMENT ACTIVITY			
Payment for the acquisition of property, plant and equipment		-	-
Proceeds from the sale of property, plant and equipment		-	-
Dividends received		-	-
Net cash flow from investing activities		-	-
CASH FLOW FROM FINANCIAL ACTIVITY			
Repayments of borrowings		(61,646)	(60,922)
Proceeds from borrowings		-	-
Interest paid		(7,971)	(11,043)
Net cash flow from financial activities		(69,617)	(71,965)
Net increase/(decrease) in cash and cash equivalents		(987)	21,486
Cash and cash equivalents:			
At the beginning of the year		28,798	7,312
At the end of the year	19	27,811	28,798

On 19 January 2023, the IS „Calea Ferata din Moldova” approved these financial statements for issue.

General Director



Financial Director

Calancea

ÎS „CALEA FERATA DIN MOLDOVA”
NOTES TO THE FINANCIAL STATEMENTS
For the financial year ending 31 December 2022
All amounts are expressed in thousands of MDL unless otherwise specified

1. GENERAL INFORMATION

The financial statements of ÎS „CALEA FERATA” DIN MOLDOVA ("the Entity") for the financial year ended 31 December 2022 have been authorised for issue in accordance with the Administrator's resolution of 22 December 2023.

1.1. Country of registration

The Moldovan Railways ("Entity") was registered in the Republic of Moldova on 22 April 1993 as a state-owned enterprise. The registered office of the Entity is located at Vlaicu-Pârcălab 48, Chisinau, Republic of Moldova.

1.2. Main activities

The Entity's main activity is the transport of goods and passengers. The average number of employees for the year ended 31 December 2022 was of 5,923 (2021: 6,096).

2. ACCOUNTING POLICIES

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

2.1. Going concern principle

The financial statements are prepared on a going concern basis as described in note 29 to the financial statements.

2.2. Declaration of conformity

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2.3. Statement of comprehensive income and statement of cash flows

The entity presents the statement of comprehensive income with classification of expenses by function. The entity reports cash flows from operating activities using the indirect method. Cash flows from investing and financing activities are determined using the direct method.

2.4. Preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations thereof. The financial statements have been prepared on a historical cost basis as adjusted subsequently when revaluing certain properties and financial instruments..

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

2. ACCOUNTING POLICIES (CONTINUED)

2.5. Revenue recognition

Revenue earned by the Entity is recognised as follows:

2.5.1. *Provision of services*

Sales of services are recognised in the accounting period in which the services are rendered with reference to the purpose of the specific transaction, measured on the basis of the percentage of the services actually rendered of the total services to be rendered.

2.5.2. *Rental income*

Rental income is recognised on an accruals basis in accordance with the content of the relevant agreements.

2.5.3. *Revenue from the sale of goods*

Revenue from the sale of goods is recognised if the criteria set out below are met:

- The entity has transferred the significant risks and rewards of ownership of the assets to the buyer;
- The entity no longer manages the assets sold at the level that it would normally do if it owned them, nor does it have effective control over the assets sold;
- The amount of revenue can be reliably assessed;
- It is probable that economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in connection with the transaction can be measured reliably.

In general, revenue from the sale of goods is recognised when the goods are delivered and when ownership of the goods is transferred.

2.6. Employee benefits

The entity and its employees contribute to the Social Insurance Fund on the basis of employees' salaries. Entity contributions are recognised as an expense when incurred and are included in personnel costs. The entity has no legal or constructive obligation to pay additional contributions unless sufficient assets are held to pay all employee benefits related to employee services rendered in the current and prior periods.

2.6.1. *Short-term employee benefits*

Short-term employee benefits include allowances, salaries and social security contributions, and in the case of management bonuses payable within twelve months of the end of the employee's period of service and non-monetary benefits in the case of expatriates (such as cars, payment for accommodation and travel expenses). Short-term benefits are recognised as an expense as the service is rendered.

According to the Law of the Republic of Moldova, the Entity is obliged to pay short-term benefits to employees for compensated leaves. According to the current legislation leaves (such as annual leave) are carried forward and can be used in future periods if the current period's entitlements are not fully used. The Entity's employees are therefore entitled to receive a cash payment for unused entitlement on leaving the Entity.

2. ACCOUNTING POLICIES (CONTINUED)

2.7. Foreign currency conversion

2.7.1. Functional and presentation currency

Items included in the Entity's financial statements are valued using the currency of the primary economic environment in which the Entity operates ("functional currency"). The financial statements are presented in thousands of lei ('000 MDL), which is the Entity's functional and presentation currency.

2.7.2. Transactions and balances

Foreign currency transactions are denominated in the functional currency at the exchange rate applicable on the transaction date. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Exchange differences on available-for-sale financial assets are recognised in other comprehensive income and subsequently included in the fair value reserve in equity.

As at December 31, 2022, the exchange rates were as follows:

USD 1 = MDL 19.1579 (2021: 17.7452)

EUR 1 = MDL 20.3792 (2021: 20.0938)

2.8. Taxes

Tax expense for the period comprises current tax and deferred tax. Taxes are recognised in the statement of comprehensive income unless they relate to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity.

2.9. Current tax

Current income tax is calculated on the basis of tax legislation in force or substantially enacted at the reporting date in the country in which the Entity operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are interpretable. Where the applicable tax regulations are subject to interpretation, provisions are established, as appropriate, based on the amounts expected to be paid to the tax authorities.

2.10. Deferred tax

Deferred income tax is recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax base used in determining taxable income and taking into account unused tax exemptions and losses. A deferred income tax liability is recognised for all taxable temporary differences. A deferred income tax asset is recognised for the amounts of deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary differences arise from goodwill or on initial recognition of other assets and liabilities relating to a contract that has no impact on the amount of tax or accounting profit (except for business combinations). A deferred liability is recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except when the entity controls the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. A deferred asset for deductible temporary differences arising from such investments and shares is recognised to the extent that it is probable that future taxable profit will be available against which the differences can be utilised and it is probable that the temporary differences will reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.10. Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting period and when it is probable that future taxable income will not be sufficient to recover the assets or a portion of them, an appropriate provision for impairment is recognised.

Deferred tax is determined using the tax rates that are expected to apply when the asset is realized or the liability becomes due. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences of realising and recognising the carrying amount of assets and liabilities as estimated by the Entity at the reporting date.

2.11. Property, plant and equipment

Property, plant and equipment are recognised at historical cost less accumulated depreciation and/or accumulated impairment losses.

Assets under construction, for rental or administrative purposes, or for purposes not yet determined, are stated at cost less any recognised impairment loss.

Cost includes professional fees and borrowing costs capitalised in accordance with the Entity's accounting policies. Depreciation of these assets, like other non-current assets, commences when the assets are ready for their intended use.

Depreciation is calculated using the straight-line method so as to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

- Buildings 2%
- Wheels 6%
- Equipment and machinery 5% - 50%
- Office furniture, fittings and equipment 14% - 33%

In the case of land, depreciation is not calculated.

The residual value and useful lives of assets are reviewed and adjusted, if necessary, at each reporting date.

If the carrying amount of an asset is greater than the estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenses on repairs and maintenance of property, plant and equipment is included in the statement of comprehensive income for the financial year in which the expenditure is incurred. The cost of major refurbishments and other subsequent expenditure is included in the carrying amount of the asset when it is probable that further economic benefits will flow from the asset than originally expected.

Major refurbishments are depreciated over the remaining useful life of the asset.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds from disposals with the carrying amount and are included in the statement of comprehensive income.

2.12. Deferred income

Deferred income recognition is guided by the IFRS 15 standard. IFRS 15 establishes the principles to apply when recognizing revenue from contracts with customers. Deferred income is the amount received by the Entity in advance of the delivery of goods or services, based on an obligation to fulfil the terms of the contract at a later date. Typically, deferred income is recorded as a liability on the balance sheet until the goods or services are delivered, and revenue can be recognized. As the Entity fulfils its obligations, the deferred income is gradually recognized as revenue. This process is often linked to the completion of specific milestones or the passage of time.

2. ACCOUNTING POLICIES (CONTINUED)

2.12. Deferred income (continued)

Government grants relating to the acquisition of property, plant and equipment are reflected in the statement of comprehensive income in instalments over the estimated useful economic lives of the related assets. This is done by deducting the grant from the carrying amount of these assets and recognising the income through reduced depreciation expense. Government grants that relate to expenditure are recognised in the statement of comprehensive income as income when received.

2.13. Computer programs

Costs that are directly associated with identifiable and unique software products controlled by the Entity and that are likely to generate economic benefits in excess of costs over a period of more than one year are recognised as intangible assets.

Subsequently, software is valued at cost less accumulated depreciation and any accumulated impairment losses. Expenditure that enhances or extends the performance of computer software beyond the original specification is recognised as a capital improvement and capitalised. Costs associated with software maintenance are recognised as an expense when incurred. Software costs are depreciated using the straight-line method over the useful life of the software, which does not exceed a period of three years. Depreciation begins when the software is available for use and is included in administrative expenses.

2.14. Operational leasing

Leases in which a significant part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the lease term.

2.15. Financial instruments

2.15.1. Recognition and derecognition of financial instruments

Financial instruments, other than derivative financial instruments, are recognised on the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets that are regular way purchased or sold are recognised using the trade date accounting i.e. that is when the Entity commits to purchase or sell.

Financial instruments that are not trade receivables are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value.

Financial assets are derecognised when:

- The contractual rights to cash flows from the financial asset expire, or
- The asset is transferred such that contractual rights to cash flows of the assets and the risks and rewards of ownership are transferred.

On de-recognition, the Entity recognised the differences between carrying amount and consideration.

Financial liabilities (or a part of) are derecognised when, and only when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires. The gain or loss between the carrying value and amount paid is recognised in profit or loss.

If the terms of an existing financial liability (loans and borrowings) are substantially modified this will be considered to meet the criteria for derecognition of the original liability, and a new financial liability is recognised

2. ACCOUNTING POLICIES (CONTINUED)

2.15. Financial instruments (continued)

2.15.2. Classification and subsequent measurement of financial assets

Measurement of financial assets depends on the classification, which is determined by the business model for holding the asset and characteristics of its cash flows.

i) Amortised cost

Assets are held for the purpose of obtaining contractual cash flows, which are solely interest and principal, such as vanilla debt instruments, loans and receivables including contract assets. Interest is calculated using effective interest method and included in finance income in profit or loss. Impairment is presented in a separate line in profit or loss.

ii) Fair value through other comprehensive income (FVOCI)

If in addition to above, if the business model also includes selling the assets, then these assets are measured at fair value with changes in fair value flowing through OCI. Interest income is calculated and presented as above. Impairment is included in profit or loss and reduces/ increases the fair value gain/ loss recognised in OCI reserve.

On derecognition, gains and losses are recycled to profit or loss and included in other gains/ losses.

iii) Fair value through profit or loss (FVTPL).

Assets that do not meet the criteria above are measured as FVTPL with changes in fair value presented in other gains/ losses.

For equity investments that the Entity considers to be long term strategic investments, the Entity has taken the election in IFRS 9 to present the changes in fair value through other comprehensive income. Unlike ii) above however, on sale of investments, the cumulative OCI gain/ loss will be transferred within equity and will not be recycled through profit or loss.

Dividends are recognised as other income when there is a right to receive payment.

2.15.3. Classification and measurement of financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities, which are measured at amortised cost. Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised within other gains and losses in the statement of comprehensive income.

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

2. ACCOUNTING POLICIES (CONTINUED)

2.15. Financial instruments (continued)

2.15.3. Classification and measurement of financial liabilities (continued)

A financial liability may otherwise be designated at fair value through profit or loss upon initial recognition if such designation eliminates or reduces significantly a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a group of financial assets, financial liabilities or both, which is managed and its performance evaluated on a fair value basis as a part of the Entity's documented risk management and investment strategies; and (c) it forms part of a contract containing one or more embedded derivatives and the entire contract can be so designated in accordance with applicable financial reporting standards.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, within finance costs in the statement of comprehensive income.

The Entity derecognises financial liabilities when the obligations of the Entity are discharged, cancelled or have expired.

2.15.4. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Currently the Entity does not offset financial assets and financial liabilities.

2.16. Trade receivables

Trade receivables are amounts owed by customers for goods sold or services rendered in the normal course of business. Trade receivables are financial assets stated initially at fair value which is taken to be their transaction cost and subsequently at their amortised cost less any loss allowance. Loss allowance is based on lifetime expected credit losses assess and determined at initial recognition and subsequently adjusted for any changes in expectation.

2.16.1. Debtors and loss allowance for doubtful receivables

Doubtful receivables are to be recognised in the statement of comprehensive income and a specific loss allowance is formed if deemed necessary. From 1 January 2018, the Entity has applied IFRS 9: Financial Instruments which replaces IAS 39: Financial Instruments. The new standard introduces new requirements on classification and measurement, impairment and hedge accounting. Trade receivables are presented after deducting the specific allowance for doubtful and impaired receivables, if any.

2.17. Investments

The entity classifies its investments in equity and debt securities into the following categories: financial assets at fair value through profit or loss, held-to-maturity assets and available-for-sale financial assets. The classification depends on the purpose for which these investments were acquired. Management determines the classification of investments at initial recognition and reviews this classification at each financial reporting date.

2.18. Cash and cash equivalents

For the purposes of cash flow statements, cash and cash equivalents comprise cash in hand, demand deposits held at banks and bank overdrafts. In the statement of financial position bank overdrafts are included in short-term loans.

ÎS „CALEA FERATA DIN MOLDOVA”
NOTES TO THE FINANCIAL STATEMENTS
For the financial year ending 31 December 2022
All amounts are expressed in thousands of MDL unless otherwise specified

2. ACCOUNTING POLICIES (CONTINUED)

2.19. Borrowings

Borrowings are initially recorded at the amounts received, net of transaction costs incurred. Loans are subsequently carried at amortised cost. Any differences between the amounts received (excluding transaction costs) and the redemption value are recognised in the statement of comprehensive income over the term of the loan using the effective interest method.

2.19.1. Financial costs

Interest and other borrowing costs used to finance the construction or production of assets are capitalized, as the asset is prepared for its intended use. All other borrowing costs are covered as incurred during the reporting period.

2.20. Trade payables

Trade payables are obligations to pay for goods and services that have been purchased in the normal course of business. Payables are classified as current if payment is made within one year or less. Otherwise they are presented as long-term liabilities. Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

2.21. Impairment of assets

Assets that have an indefinite useful life and are not depreciated are tested annually for impairment. Assets that are depreciated are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and the asset's value in use. For the purpose of assessing impairment, assets are grouped into the smallest groups for which there are separately identifiable cash flows (cash-generating units).

2.22. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

2.23. Share capital

In accordance with the Law on State-owned Enterprises, the share capital of the Entity is 100% contribution of the Government of the Republic of Moldova and is not divided into shares. The Entity is 100% owned by the State.

2.24. Provisions

Provisions are recognised when the Entity has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the entity expects to reimburse a provision, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only if reimbursement is virtually certain.

2.25. Non-current liabilities

Non-current liabilities are amounts that will be due beyond a period exceeding 12 months from the reporting date.

2.26. Events after the reporting date

Subsequent events that provide additional information about the Entity's position at the financial reporting date or those that indicate that the going concern principle is not appropriate (events requiring adjustment) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

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2. ACCOUNTING POLICIES (CONTINUED)

2.27. Contingent liabilities

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources affecting future economic benefits is remote.

2.28. Related parties

A party is considered a related party when, whether through ownership, contractual rights, family relationships or otherwise, it has the ability to exercise control directly or indirectly or has significant influence in the Entity.

2.29. Comparatives

Comparative information that relates to the prior period is presented for all numerical information in the financial statements. Comparative information is also included for narrative and descriptive information when relevant to a better understanding of the current period financial statements.

2.30. New standards and amendments issued but not yet effective for years ending 31 December 2022

The following new standards and amendments are not yet effective but may have an impact on the financial statements of the Entity in a future period.

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 1 January 2023.

Amendments to IAS 1 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.

Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments have been deferred until IASB has finalised its research project on the equity method.

2. ACCOUNTING POLICIES (CONTINUED)

2.30. New standards and amendments issued but not yet effective for years ending 31 December 2022 (continued)

Amendments to Disclosure of Accounting Policies and Definition of Accounting Estimates modify:

- IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- IAS 8, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- IAS 34, to identify material accounting policy information as a component of a complete set of financial statements; and
- IFRS Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to Deferred tax related to assets and liabilities arising from a single transaction modify IAS 12 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.

The Standard amends IFRS 1 to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to International Accounting Standards, despite the exemption set out in IAS 12.

The Entity is still assessing the impacts of these new standards and amendments.

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3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The entity is exposed to market risk, interest rate risk, credit risk, liquidity risk, foreign exchange risk, operational risk, compliance risk, litigation risk, reputational risk and capital management risk arising from the financial instruments it holds. The risk management policies used by the Entity's management are set out below:

3.1.1. Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Entity's available-for-sale financial assets and financial assets at fair value through profit or loss are sensitive to market price risk arising from uncertainties about future investment prices. The market risk to which the Entity is exposed is managed through diversification of the investment portfolio.

3.1.2. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates. Borrowings at variable rates expose the Entity to cash flow interest rate risk. Fixed rate loans expose the Entity to fair value interest rate risk. The Entity's management monitors interest rate fluctuations on an ongoing basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2022	2021
	MDL '000	MDL '000
Floating rate instruments		
Financial liabilities	7,971	11,043

Any increase/(decrease) in interest rates by one percentage point will have an effect on the Entity's results and equity.

	2022	2021
	MDL '000	MDL '000
Floating rate instruments		
Financial liabilities	7,971	11,043
Impact on result (profit or loss)	106	147

3.1.3. Credit risk

Credit risk arises when a party's failure to meet its obligations may reduce future cash inflows from financial assets held at the reporting date. The entity has no financial instruments that involve significant concentration of credit risk. The entity has policies to ensure that sales of products and services are made to customers with an adequate credit history and continuously monitors the ageing of its receivables. Cash is held in performing financial institutions, and the Entity has policies that involve limiting credit exposure to any one financial institution.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.3. Credit risk (continued)

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

	2022	2021
	MDL '000	MDL '000
Financial assets		
Trade and other receivables	4,778	4,778
Current banks accounts	232,666	37,321
Other accounts	-	28,463
	-	335
Total	237,444	70,897

Trade receivables consist mainly of a widespread customer base. The Entity monitor the financial position of their customers on an on-going basis.

A loss allowance is calculated based on expected credit losses from day one, but the impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial instruments, we expect the loss to be calculated based on 12 month expected credit losses unless there are indicators of significant increase in credit risk. as we have not noted any indicators that there has been a significant increase in credit risk.

3.1.4. Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities do not match. An unmatched position potentially improves profitability, but can also increase the risk of loss. The entity has procedures in place to minimise such losses, such as maintaining sufficient cash and other highly liquid current assets and having an adequate amount of committed credit facilities available.

The following tables contain details of the Entity's remaining contractual maturity for financial liabilities. The tables have been prepared based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Entity can be required to pay.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.4. Liquidity risk (continued)

The table includes both interest and principal cash flows.

31 December 2022	Book value	Contractual cash flows	3 months or less	Between 3- 12 months	Between 1- 5 years	More than 5 years
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
Cash and cash equivalents	27,811	27,811	27,811	-	-	-
Trade and other receivables	232,666	232,666	232,666	-	-	-
Loans	(527,487)	(527,487)	(29,864)	(89,592)	(408,031)	-
Trade and other payables	(291,803)	(291,803)	(72,951)	(218,852)	-	-
	(558,813)	(558,813)	157,662	(308,444)	(408,031)	-

31 December 2021	Book value	Contractual cash flows	3 months or less	Between 3- 12 months	Between 1- 5 years	More than 5 years
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
Cash and cash equivalents	28,798	28,798	28,798	-	-	-
Trade and other receivables	37,321	37,321	37,321	-	-	-
Loans	(453,991)	(453,991)	(36,943)	(110,829)	(306,219)	-
Trade and other payables	(330,855)	(330,855)	(82,714)	(248,141)	-	-
	(718,727)	(718,727)	(53,538)	(358,970)	(306,219)	-

3.1.5. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions together with recognised assets and liabilities are denominated in a currency that is not the Entity's functional currency. The Entity is exposed to foreign exchange risk arising from changes in currencies mainly USD, EUR and Swiss Franc. The Entity's management monitors exchange rate fluctuations and acts accordingly. Management also mitigates risk exposure by ensuring a balance between foreign and domestic currency funding.

Sensitivity analysis

A 10% strengthening of the leu against the following currencies at 31 December 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, especially interest rates, remain constant. A 10% decrease in the leu against this currency would have generated an equal and opposite impact on profit or loss and equity.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.5. Currency risk (continued)

	Profit or loss	
	2022	2021
	MDL '000	MDL '000
Euro		
US Dollar	20,925	20,522
Swiss Francs	(1,061)	(60)
Russian Ruble	(824)	(28)
	(412)	(190)
	18,628	20,244

3.1.6. Operational risk

Operational risk is the risk arising from weaknesses in the Entity's information technology and control systems, as well as the risk of human error and natural disasters. The Entity's systems are continuously assessed, maintained and updated.

3.1.7. Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, arising from non-compliance with state laws or regulations. The risk is minimized due to monitoring controls applied by the Entity.

3.1.8. Litigation risk

Litigation risk is the risk of financial loss, disruption of the Entity's business or any other undesirable situation arising from the possibility of non-performance or breach of legal contracts and consequently legal proceedings. The risk is minimised through the contracts used by the Entity.

3.1.9. Reputational risk

The risk of loss of reputation that may arise from negative publicity related to the Entity's operations (whether true or false) may result in a reduction in customers, revenues and legal actions brought against the Entity. The Entity applies procedures to minimise this risk.

3.1.10. Capital risk management

The Entity's objectives in managing capital are to safeguard the Entity's ability to continue as a going concern in order to provide quality services to the general public in a profitable manner, to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The entity monitors capital on the basis of leverage. This ratio is calculated as the ratio of net debt to total capital. Net debt is calculated as total borrowings. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The Entity's debt ratio is calculated as follows:

	2022	2021
	MDL '000	MDL '000
Total loans (Note 22)	527,487	453,991
Minus: Cash and cash equivalents (Note 20)	(27,811)	(28,798)
Net debt	499,676	425,193
Total share capital	2,628,680	2,475,231
Total equity	3,128,356	2,900,424
Degree of indebtedness	15.97%	14.66%

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.10. Capital risk management (continued)

Estimating fair value

	Book value		Fair value	
	2022	2021	2022	2021
	MDL '000	MDL '000	MDL '000	MDL '000
Financial assets				
Financial assets	4,778	4,778	4,778	4,778
Trade and other receivables	232,666	37,321	232,666	37,321
Financial liabilities				
Trade and other payables	(291,803)	(330,855)	(291,803)	(330,855)
Loans	(527,487)	(453,991)	(527,487)	(453,991)
Total	(581,846)	(742,747)	(581,846)	(742,747)

3.1.10.1. Recognition of fair value measurement in the statement of financial position

Fair values are primarily determined using quoted market prices or standard valuation models using observable market data when available and are presented to reflect expected gross cash flows. The entity classifies the fair value of its financial instruments in a three-level hierarchy based on the source and observability of market data.

The table below analyses financial instruments carried at fair value through profit or loss.

The different levels have been defined as follows:

Level 1 - market prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 - input values other than quoted market prices included in Level 1 that are observable for assets and liabilities, either directly (price) or indirectly (derived from price).

Level 3 - input values for assets and liabilities that are not based on observable market information (unobservable inputs).

3.1.10.2. Recognition of fair value measurement in the statement of financial position

Classification Level 1 primarily includes financial assets and liabilities that are traded on a stock exchange, while Classification Level 2 primarily includes financial assets and liabilities whose fair value is derived primarily from stock exchange quotations and readily observable quotes. Classification Level 3 primarily includes financial assets and liabilities whose fair value is predominantly derived from models using market-based estimates of location, quality and credit spreads. In cases where the entity cannot verify fair value using observable market data (Level 3 fair value), it is possible that another valuation model may produce a significantly different estimate of fair value.

In accordance with the Entity's policy, transactions and activities relating to financial instruments related to business activities are concluded under arrangements or confirmations for balances to/from a joint counterparty to be netted in the event of default, insolvency or bankruptcy of the party involved.

The following table shows the fair value of financial assets and liabilities at 31 December 2022 and 2021. Other assets and liabilities that are measured at fair value on a continuing basis include cash and cash equivalents. There are no fair values that are measured on a discontinued basis.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.10. Capital risk management (continued)

3.1.10.2. Recognition of fair value measurement in the statement of financial position (continued)

31 December 2022

	Level 1	Level 2	Level 3	Total
	MDL '000	MDL '000	MDL '000	MDL '000
Financial assets				
Financial assets	-	-	4,778	4,778
Trade and other receivables	-	-	232,666	232,666
Total	-	-	237,444	237,444
Financial liabilities				
Trade and other payables	-	-	-	-
Loans	-	-	(291,803)	(291,803)
Total	-	-	(527,487)	(527,487)
	-	-	(581,846)	(581,846)

31 December 2021

	Level 1	Level 2	Level 3	Total
	MDL '000	MDL '000	MDL '000	MDL '000
Financial assets				
Financial assets	-	-	4,778	4,778
Trade and other receivables	-	-	37,321	37,321
Total	-	-	42,099	42,099
Financial liabilities				
Trade and other payables	-	-	-	-
Loans	-	-	(330,855)	(330,855)
Total	-	-	(453,991)	(453,991)
	-	-	(742,747)	(742,747)

4. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS

Professional estimates and judgments are evaluated on an ongoing basis and are based on historical experience and other factors including future events that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions about the future. The results of accounting estimates will rarely equal actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities during the next financial year are set out below:

4.1. Revenue recognition

The entity applies IAS 18 for accounting for revenue from the rendering of services, under which revenue and costs of sales are recognised at the time of delivery and when all risks have been transferred to the buyer.

4.2. Loss allowance for impairment of receivables

The entity analyses trade and other receivables to ensure their recoverability. Such evidence includes the customer's payment history and overall financial position. If there are indications of non-recovery, the recoverable amount is estimated, and a loss allowance is made for the receivable. The amount of the loss allowance is recorded in the statement of comprehensive income. The review of credit risk is ongoing, and the methodology and assumptions used to estimate the loss allowance are reviewed regularly and adjusted accordingly.

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4 CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS (CONTINUED)

4.3. Depreciation of inventories

The entity reviews its inventories to identify evidence of the likelihood of sale of the inventories and of their net realisable value on disposal. The depreciation amount for obsolete or slow-moving inventories is based on past experience, taking into account the value of inventories as well as the movement and level of stock for each category. The amount of the depreciation for impairment is recognised in the Statement of Comprehensive Income. The review of the net realisable value of inventories is ongoing, and the methodology and assumptions used to estimate the amount of the depreciation for obsolete and slow-moving inventories are reviewed regularly and adjusted accordingly.

4.4. Income tax

Significant professional judgement is required in determining the income tax provision. There are transactions and calculations for which the determination of final income tax is uncertain in the normal course of business. The entity recognizes in advance liabilities that may arise in the event of a tax audit based on estimates of whether additional taxes will be due. If the final tax result is different from the amounts originally recorded, such differences will affect income tax and deferred tax provisions for the period in which such determinations are made.

4.5. Useful life

The entity depreciates property, plant and equipment over their estimated useful lives, which are reviewed annually. The useful lives of assets can vary depending on a large number of factors. Technological innovation, product life cycles and maintenance schedules all have an impact on the useful lives and residual values of assets.

4.6. Depreciation of investments in related parties

The entity periodically assesses the recovery of investments in subsidiaries/associated entities whenever impairment indicators are present. Impairment indicators include items such as decreases in revenues, profits, cash flows or significant adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. Where circumstances and facts indicate that investments in subsidiaries/associated entities may be impaired, the discounted cash flow associated with these investments will be compared to their carrying amount to determine whether an impairment to fair value of the investments is required.

4.7. Valuation of unquoted investments

The entity uses various methods to value unquoted investments. These methods are based on the manager's assumptions, which are based on market information at the reporting date.

4.8. Impairment of non-financial assets

At each reporting period the entity assesses whether there is any indication that an asset is impaired. If such an indication exists, or when it is necessary to test the annual impairment of an asset, the Entity makes an estimate of the recoverable amount of that asset. The recoverable amount of an asset is the higher of its fair value or the cash-generating unit's fair value less cost to sell and its value in use that is determined individually for each asset, unless the asset does not generate cash flows that are predominantly independent of the cash flows of other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In the process of assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated with valuation multiples, share prices for listed subsidiaries or other available indicators of fair values.

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5. REVENUE

	2022	2021
	MDL '000	MDL '000
Transportation of Passenger	18,286	10,369
Transportation of Goods	1,141,479	524,736
Total	1,159,765	535,105

6. OTHER INCOME

	2022	2021
	MDL '000	MDL '000
Use of rolling materials by other railway administration institutions	84,767	72,786
Other rental income (1)	10,350	10,416
Proceeds from the sale of property, plant and equipment	10,793	19,131
Sale of current assets	3,345	92
Other income (2)	46,745	44,756
Total	156,000	147,181

- (1) Rental income includes the rental of wagons a service provided by the Entity to its customers.
(2) Other revenue represents additional services provided to customers that are related to the freight service.

7. COST OF SALES

	2022	2021
	MDL '000	MDL '000
Staff salaries	167,487	266,921
Social insurance and contributions	37,789	54,942
Communal services	14,084	24,860
Depreciation	45,684	121,175
Expenses on materials	1,200	(26,191)
Fuel costs	739,058	66,072
Other costs (1)	37,747	121,307
Total	1,043,049	629,086

- (1) Other costs are costs related to labour protection, improvement, and maintenance.

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8. ADMINISTRATIVE EXPENSES

	2022	2021
	MDL '000	MDL '000
Staff salaries	27,688	16,158
Social insurance and contributions	6,189	3,813
Depreciation	928	638
Other administrative expenditure	24,689	24,426
Total	59,494	45,035

9. OTHER EXPENSES

	2022	2021
	MDL '000	MDL '000
Use of rolling materials by other railway administration institutions	85,465	34,597
Other staff remuneration and incentives	44,560	10,358
Cost of current assets sold	2,398	7,028
Cost of medical institutions	799	835
Other expenses	24,698	21,330
Total	157,920	74,148

10. PROVISIONS AND DEPRECIATION EXPENSES

	2022	2021
	MDL '000	MDL '000
Provision for unused leave	9,976	(6,223)
Impairment charges - non-current assets	(411)	1,132
Loss allowance for doubtful receivables	-	2,047
Depreciation of slow-moving inventories	15,430	5,586
Provision for future litigation losses	(4,491)	6,424
Total	20,504	8,966

11. EXPENSES BY NATURE

	2022	2021
	MDL '000	MDL '000
Staff expenses (Note 12)	239,152	341,835
Depreciation	46,611	121,812
Fuel costs	739,058	66,072
Other expenses (1)	256,144	227,515
Total	1,280,965	757,234

(1) Other expenses mean expenses relating to labour protection, improvement, current repairs and maintenance.

12. STAFF EXPENSES

	2022	2021
	MDL '000	MDL '000
Staff salaries	195,174	283,080
Social security and other contributions	43,977	58,756
Total	239,151	341,836

13. FINANCIAL RESULT

	2022	2021
	MDL '000	MDL '000
Net foreign exchange losses (gains)	(15,519)	(11,664)
Interest expense	7,971	11,043
Expenses related to value adjustments on non-current and current financial investments	-	-
Total	(7,548)	(621)

The explanatory notes on pages 11 to 39 are an integral part of these financial statements

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14. INCOME TAX

The entity had a tax loss for the year 2022. Thus, in this respect, no current income tax liability arises.

Opening balance - liability
Deferred tax expense (savings) (Note 14.1)
Closing balance - debt

2022	2021
MDL '000	MDL '000
74,542	77,556
(28,832)	(3,014)
45,710	74,542

14.1 DEFERRED TAX LIABILITIES

Assets and liabilities*		Book value	Tax base	Temporary difference	
				taxable*	deductible*
Property, plant and equipment	A	2,023,344,489	1,342,467,967	680,876,522	-
Trade and other receivables	A	368,533,070	238,046,888	-	130,486,182
Provision for unused holidays	D	18,963,109	-	-	18,963,109
Provision for litigation losses	D	17,852,773	-	-	17,852,773
Depreciation of inventories	D	132,660,835	-	-	132,660,835
Total		-	-	680,876,522	299,962,899

Assets and liabilities*	Deferred income tax liability	Deferred income tax claim
Property, plant and equipment	81,705,183	-
Trade and other receivables	-	15,658,342
Provision for unused holidays	-	2,275,573
Provision for litigation losses	-	2,142,333
Depreciation of inventories	-	15,919,300
Total	81,705,183	35,995,548

31.12.2022	31.12.2021	The difference
MDL	MDL	MDL
45,709,635	74,541,698	28,832,063

As of 31 December 2022, the deferred income tax liability amounted to MDL 45,709,635 and the difference compared to the previous year was reported in the income statement.

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15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Assets under construction	Wheels	Equipment and machinery	Automotive	Office furniture, accessories and equipment	Investment properties	Biological Assets	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000		MDL '000	MDL '000
Cost									
31 December 2021 / 1 January 2022	3,448,612	8,724	144,692	661,048	2,637,249	50,164	-	1,674	6,952,161
Additions	21,291	66,094	15,888	5,104	32,899	1,828	2,727	-	145,831
Disposals	(3,222)	(62,855)	(9,151)	(369)	(15,347)	(194)	(2,727)	-	(93,866)
Transfer (reclassification)	-	-	-	15	-	(15)	-	-	-
31 December 2022	3,466,681	11,963	151,429	665,798	2,654,801	51,783	-	1,674	7,004,126
Depreciation									
31 December 2021 / 1 January 2022	1,428,765	-	73,109	632,777	1,636,406	39,225	-	452	3,810,734
Calculated over the year	47,724	-	16,229	7,870	63,296	2,273	54	79	137,526
Related to disposals	(200)	-	(958)	(389)	(13,209)	(194)	(54)	-	(15,004)
Transfer (reclassification)	(3)	-	-	3	-	-	-	-	-
31 December 2022	1,476,286	-	88,380	640,261	1,686,493	41,304	-	531	3,933,256
Carrying amount									
31 December 2021 / 1 January 2022	2,019,847	8,724	71,583	28,271	1,000,844	10,938	-	1,221	3,141,428
31 December 2022	1,990,395	11,963	63,049	25,537	968,308	10,479	-	1,143	3,070,870

As of 31 December 2022, the value of tangible assets pledged to commercial banks: Victoriabank SA contract no. CI 845; Moldova-Argoindbank SA contract no. CI90551 in the amount of MDL 527,487.

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16. INTANGIBLE ASSETS

	Computer programs	Other intangible assets	Total
	MDL '000	MDL '000	MDL '000
Cost			
31 December 2021 / 1 January 2022	5,609	6,762	12,371
Additions	712	1,123	1,836
Disposals	-	(712)	(712)
Depreciation	-	-	-
31 December 2022	6,321	7,173	13,495
Depreciation			
31 December 2021 / 1 January 2022	4,395	6,679	11,074
Calculated over the year	416	435	851
Related to disposals	-	-	-
31 December 2022	4,811	7,114	11,925
Book value			
As of 31 December 2021	1,214	83	1,296
As of 31 December 2022	1,510	59	1,570

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2022 MDL '000	2021 MDL '000
On January 1st	4,778	7,666
Impairment charges	-	5,361
Sales of financial assets	-	(8,249)
On December 31st	4,778	7,666

	Fair value 2022 MDL '000	Cost 2021 MDL '000	Fair value 2022 MDL '000	Cost 2021 MDL '000
Unlisted securities	4,778	4,778	4,778	4,778
Total	4,778	4,778	4,778	4,778

The details of the investments are as follows:

	2022 MDL '000	2021 MDL '000
Company name		
Moldasig SA	3,000	3,000
SP Moldromukrtrans	1,300	1,300
Victoria Asigurari SA	-	-
Moldindconbank SA	-	-
Other	478	478
Total	4,778	4,778

18. INVENTORIES

	2022 MDL '000	2021 MDL '000
Finished products	853	680
Goods	2,061	1,832
Spare parts and other consumables, net	259,322	252,693
Depreciation of slow-moving inventories	(132,661)	(117,231)
Total	129,575	137,974

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19. TRADE AND OTHER RECEIVABLES

	2022	2021
	MDL '000	MDL '000
Trade receivables	35,309	28,450
Minus: Loss allowance of doubtful receivables	(79,636)	(29,148)
Trade receivables - net	(44,327)	(698)
Advances paid to suppliers	256,599	29,126
Receivables related to budget settlements	18,939	8,319
Contributions not paid by the employer	44	46
Other receivables	52,260	51,377
Other receivables and advances - net	283,515	88,170
Minus: Impairment of other receivables and advances	(50,849)	(50,849)
Trade and other receivables - net	232,666	37,321

Movements in the loss allowance for impairment of receivables:

	2022	2021
	MDL '000	MDL '000
On January 1st		
Loss allowance of doubtful receivables	79,998	77,951
Derecognition of doubtful receivables	79,637	29,149
	(29,149)	(27,102)
On December 31st	130,486	79,998

The Entity's exposure to credit and impairment risk in relation to trade and other receivables is reported in Note 3 to the financial statements.

	2022	2021
	MDL '000	MDL '000
Euro	228,429	13,647
US Dollar	-	462
Russian Ruble	-	170
Swiss Francs	11,762	5,808
Romanian Leu	77	81
Moldovan Leu	(7,602)	17,153
Total	232,666	37,321

20. CASH AND CASH EQUIVALENTS

	2022	2021
	MDL '000	MDL '000
Cash at cash desk	76	40
Current bank accounts	27,266	28,423
Cash transfers in dispatch	469	335
Total	27,811	28,798

Cash and cash equivalents by category:

	2022	2021
	MDL '000	MDL '000
Euro	-	-
Swiss Francs	1,044	10,458
Moldovan Leu	26,767	18,340
US Dollar	-	-
Russian Ruble	-	-
Total	27,811	28,798

The Entity's exposure to credit and impairment risk in relation to cash and cash equivalents is reported in Note 3 to the financial statements.

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21. SHARE CAPITAL

	2022	2021
	MDL '000	MDL '000
Issued capital		
On 1st January	2,475,231	2,475,231
Increase of share capital	153,449	-
On 31st December	2,628,680	2,475,231

22. BORROWINGS

	2022	2021
	MDL '000	MDL '000
Short-term portion of long-term borrowings	119,456	147,772
Long-term borrowings	408,031	306,219
Total	527,487	453,991

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22. BORROWINGS (CONTINUED)

Bank	Contract	Date	End Date	Objective	2022	2021
Moldova Argoinbank SA	C18-0670	29-Nov-2018	25-Nov-2020	Financing operational activities	-	3,848
Moldova Argoinbank SA	C19-0551	26-Dec-19	23-Dec-22	Financing operational activities	77,000	100,000
Victoriabank SA	1845	3-Nov-2015	11-Nov-22	Purchase of equipment	-	1,306
EBRD / Ministry of Finance	6/1	9-Nov-16	20-Aug-29	Implementation of the project to renew the locomotive fleet and rehabilitate the railway infrastructure	450,487	348,837
Total loans					527,487	453,991
Maturity:					2022	2021
within a year					119,456	147,772
between 1 and 5 years					408,031	306,219
					527,487	453,991

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22. BORROWINGS (CONTINUED)

The weighted average effective interest rates at the reporting date were as follows:

	2022	2021
Bank loans	8,60%	8,60%

The Entity's loans are denominated in the following currencies:

	2022	2021
	MDL '000	MDL '000
Euro	450,487	350,143
US Dollar	-	-
Moldovan lion	77,000	103,848
Total	527,487	453,991

Loans are secured as follows:

- Land and building located on bd. Decebal 2/1, cadastral no. 0100104.535/01 - pledge value MDL 56,098,000.
- Land and building located on bd. Decebal 2, mun. Chisinau cadastral no. 0100104.443/01, Land and building located at Str. Șos. Muncești, mun. Chisinau cadastral no. 0100301.470/01-13, Land and administrative building located at Alea Gării 6, mun. Chisinau, cadastral number 0100301.289/01, non-locative room located at str. N. Titulescu 1 mun. Chisinau cadastral number 0100106.113.01.256, non rentable room located at str. N. Titulescu 1 mun. Chisinau cadastral number 0100106.113.01.250, land and unoccupied room located at str. șos. Muncești 15, mun. mun. Chisinau cadastral number 0100301.248/01 - pledge value MDL 93,290,700.
- Diesel train Mr M002 from Mr 751 - pledge value MDL 17,285,789.
- Diesel train Mr M003 from Mr 681 - pledge value MDL 14,404,754.
- Diesel train Mr M004 from Mr 699 - pledge value MDL 17,932,817.
- Diesel train Mr M005 from Mr 695 - pledge value MDL 20,166,755.
- Diesel train D1M001 2 sections - refrigerator wagons ZB-5 and 8 refrigerator wagons ZB-5 - pledge value MDL 10,891,696.

23. PROVISIONS FOR OTHER LIABILITIES

At the end of the year, the Entity has established the following provisions:

	2022	2021
	MDL '000	MDL '000
Provision for unused leave	18,963	8,987
Provision for future litigation losses	17,853	22,343
Total	36,816	31,330

24. TRADE AND OTHER PAYABLES

	2022	2021
	MDL '000	MDL '000
Trade payables	112,796	127,864
Social insurance and other taxes	37,741	53,794
Advances received	80,884	60,319
Calculated salaries	53,544	80,705
Other creditors	6,838	8,173
Total	291,803	330,855

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24 TRADE AND OTHER PAYABLES (CONTINUED)

The entity's liabilities are denominated in the following currencies:

	2022	2021
	MDL '000	MDL '000
Euro	19,431	47,977
US Dollar	-	(48,131)
Swiss Francs	16,721	16,361
Russian Ruble	3,086	5,663
Moldovan Leu	252,315	308,945
Romanian Leu	250	40
Total	291,803	330,855

The fair value of trade and other short-term liabilities approximate the carrying amounts shown above.

25. DEFERRED INCOME

	2022	2021
	MDL '000	MDL '000
Government subsidies	20,662	20,711
EBRD Grant	(5,636)	96,988
Other deferred income (locomotive spare parts)	5,432	56,069
Other deferred income	1,310	777
Total	21,768	174,545

By Government Decision no. 126 of February 19, 2013, a total amount of 20 million lei was allocated for the improvement of intersections on public roads. Although there was no legal obligation to keep the unused subsidy in a separate bank account, the Entity used the granted amount for other purposes, which could cause the advance repayment of the subsidy.

According to the Non-reimbursable Financing Agreement concluded between the Republic of Moldova, the Moldovan Railways and the European Bank for Reconstruction and Development No. 44085 of November 10, 2015, the Ministry of Finance of the Republic of Moldova in 2018 subsidized the amount of EUR 4,000,000 representing 13% of the payment made to the supplier WABTEC TRANSPORTATION SYSTEMS LLC under the Project for the purchase of locomotives and restructuring of railway infrastructure.

26. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

26.1 Revenue from services rendered

	2022	2021
	MDL '000	MDL '000
Metalferos SA	293	1,542
ÎM Moldromukrtrans SRL	53,938	13,304
Moldtelecom SA	78	85
Total	54,309	14,931

26.2 Procurement of goods and services

	2022	2021
	MDL '000	MDL '000
Moldtelecom SA	1,500	1,625
Total	1,500	1,625

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26 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

26.3 Receivables from related parties

	2022	2021
	MDL '000	MDL '000
ÎM Moldromukrtrans SRL	8	40
Moldtelecom SA	3	89
Total	11	129

26.4 Payables from related parties

	2022	2021
	MDL '000	MDL '000
Metalferos SA	94	13
ÎM Moldromukrtrans SRL	3,812	1,802
Moldtelecom SA	49	-
Total	3,955	1,815

27. CONTINGENT LIABILITIES

The entity had no contingent liabilities at 31 December 2022 other than those described in these notes.

28. COMMITMENTS

The entity had no capital commitments as at 31 December 2022.

29. GOING CONCERN

The financial statements for the year ended 31 December 2022, have been prepared on a going concern basis. The accumulated losses as of 31 December 2022 are in amount of MDL 1,147,855 thousand and the Entity's current liabilities exceeded current assets by MDL 30,460 thousand.

Such issues indicate uncertainty about business continuity. Therefore, the Entity's ability to continue as a going concern depends on its ability to generate sufficient future income, based on the financial support of creditor banks and shareholders.

These financial statements do not include adjustments arising from the outcome of such going concern uncertainty.

30. RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

The process of risk re-pricing during 2007-2009 in international financial markets has affected the performance of these markets, including the financial and banking market in Moldova, and has increased the level of uncertainty about future economic development.

The current global liquidity crisis that began in the second half of 2007 and is still ongoing has led, among other things, to low capital market funding, low liquidity in the banking sector, and higher interbank lending rates.

Uncertainties in global financial markets have also led to bank failures and bailouts in the United States, Western Europe, Russia and other regions. Such situations could affect the Entity's ability to borrow or re-finance its existing operations on terms and conditions similar to those applicable to previous transactions. Indeed, the extent of the impact of the financial crisis has demonstrated that it is impossible to fully anticipate or protect against its effects.

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30 RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS (CONTINUED)

The Entity's debtors or creditors may also be affected by a liquidity crisis situation which could impact their ability to repay amounts due. Deteriorating operating conditions for debtors or creditors may also impact management's cash flow forecasts and impairment analysis of financial and non-financial assets.

To the extent information is available, management has reflected revised estimates of future cash flows with respect to its impairment assessments. Management cannot reliably estimate the effects on the Entity's financial position due to the continued deterioration of liquidity in the financial markets and increased volatility in the money and capital markets. Management believes that all necessary steps are being taken to support the sustainability and growth of the Entity's business in the current environment.

Country and business risk in the Republic of Moldova

The Entity's operations are subject to country risk being the economic, political and social risk related to business in the Republic of Moldova. These risks include matters arising from government policies, economic conditions, the imposition or modification of taxes and regulations, currency fluctuations and the enforceability of contractual rights. The accompanying financial statements reflect management's assessment of the impact of the Moldovan business environment on the Entity's operations and financial position. The future business environment may differ from management's assessment. The impact of such differences on the Entity's operations and financial position may be material.

31. POLITICAL ENVIRONMENT

The Entity's operations and revenues continue to be highly volatile, affected by the political, legislative and fiscal environment in the Republic of Moldova.

Among other things, a significant impact on the Entity's operations has been the political crisis in the Eastern region of Ukraine that escalated in early 2014. The military conflict and the ongoing economic embargo, together with economic sanctions, have caused declines in sales. The Entity's management cannot predict what changes and conditions may occur and what effect these changes will have on the Entity's financial statements.

In October 2017, the Government of the Republic of Moldova approved the Concept for the restructuring of the railway sector and the Moldovan Railways for 2018-2021. The aim of the Concept is to transform the sector into a financially, technically and socially sustainable one, able to compete in the future with other modes of transport both in the country and the region. To this end, it is planned to initiate the reorganisation by splitting up the "Moldovan Railways" (Entity) into three independent joint-stock companies for infrastructure, passengers and freight.