

**ARAGVI HOLDING
INTERNATIONAL LIMITED**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX MONTH
PERIOD ENDED 31 DECEMBER 2018**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Vaja Jhashi
Executive Managing Director

Asif Chaudhry
Non-Executive Director

Cem Osmanoglu
Non-Executive Director

Stephane Frappat
Non-Executive Director

Alain Stephane Dorthe
Non-Executive Director

Vincenzo Turrisi
Executive Director (resigned on 01.01.2019)

Company Secretary:

Eleni Karra

Independent Auditors:

BDO Limited
Certified Public Accountants (CY)
and Registered Auditors
261, 28 th October Street (Seafront Road)
View Point Tower Floors 6,7 and 8
P.O Box 51681
3507 Limassol, Cyprus

Registered office:

Menandrou 4
GALA Tower, Floor 2
1066
Nicosia, Cyprus

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.



T +357 25847400
F +357 25735455
limassol@bdo.com.cy
www.bdo.com.cy

261, 28th October Street (Seafont Road)
View Point Tower
Floors 6, 7 and 8
P.O.Box 51681, 3507 Limassol
Cyprus

Independent Auditor's Report on Review of Interim Consolidated Financial Statements

To the Members of Aragvi Holding International Limited

Introduction

We have reviewed the interim consolidated financial statements of Aragvi Holding International Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which are presented in pages 1 to 63 and comprise the interim consolidated statement of financial position as at 31 December 2018, and the interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS34 Interim Financial Reporting'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 27 of the interim consolidated financial statements which states that as at 31 December 2018 the Group was in breach of one financial covenant.

We further like to draw your attention to note 3.24 where the departure from IAS34 "Interim Financial Reporting" is disclosed. Our report is not qualified in this respect.

Other Information

The Board of Directors is responsible for the other information.

Our conclusion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the review or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report on Review of Interim Consolidated Financial Statements

To the Members of Aragvi Holding International Limited

Other Matter

This report, including the conclusion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to be 'Yiannis Kapetanos', written over a horizontal line.

Yiannis Kapetanos
Certified Public Accountant (CY) and Registered Auditor
for and on behalf of

BDO Limited
Certified Public Accountants (CY) and Registered Auditors

Limassol, 8 February 2019

ARAGVI HOLDING INTERNATIONAL LIMITED

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
ASSETS			
Non-current assets			
Intangible assets	7	1,879	1,828
Property, plant and equipment	6	233,616	232,946
Available for sale financial assets	11	46	46
Goodwill	7	48,688	48,688
Advances given	12	1,779	1,849
Other financial assets	-	<u>85</u>	<u>211</u>
		286,093	285,568
Current assets			
Inventories	9	285,030	113,530
Forward contracts	8	40,051	61,029
Trade receivables and advances given	10	48,821	39,226
Cash and cash equivalents	13	12,647	26,158
Other assets	-	<u>-</u>	<u>-</u>
		<u>386,549</u>	<u>239,943</u>
Total assets		<u><u>672,642</u></u>	<u><u>525,511</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	14	281	281
Share Options		1,603	1,603
Retained earnings		210,673	187,371
Fair value reserves		<u>39,466</u>	<u>39,466</u>
		<u><u>252,023</u></u>	<u><u>228,721</u></u>
Non-controlling interest		<u>14,229</u>	<u>14,249</u>
Total equity		<u><u>266,252</u></u>	<u><u>242,970</u></u>

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
(CONTINUED)**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
LIABILITIES			
Non-current liabilities			
Borrowings	15	52,230	64,587
Deferred tax liabilities	24	13,488	13,488
Advances received	12	5,163	387
Provisions for other liabilities and charges	-	<u>348</u>	<u>355</u>
		71,229	78,817
Current liabilities			
Borrowings	15	309,175	182,758
Trade and other payables	16	<u>25,986</u>	<u>20,966</u>
		335,161	203,724
Total liabilities		<u>406,390</u>	<u>282,541</u>
Total equity and liabilities		<u>672,642</u>	<u>525,511</u>

These consolidated financial statements have been approved for issue by the Board of Directors on 8 February 2019 and signed on their behalf by:



Vaja Jhashi
Chief Executive Officer



Alain Stephane Dorthe
On behalf of Board of Directors

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Revenue	17	281,954	232,639
Cost of sales	18	<u>(224,806)</u>	<u>(180,938)</u>
Gross profit		57,148	51,701
Other income	22	450	893
Selling and distribution costs	19	(16,610)	(19,851)
General and administrative expenses	20	(4,492)	(4,375)
Other gains / (losses) – net	21	<u>(2,071)</u>	<u>(1,845)</u>
Operating profit		34,425	26,523
Net finance income / (costs)	23	<u>(10,800)</u>	<u>(10,891)</u>
Profit before income tax		23,625	15,632
Income tax expense	24	<u>(343)</u>	<u>(196)</u>
Profit for the year		<u><u>23,282</u></u>	<u><u>15,436</u></u>
Profit attributable to			
Owners of the parent		23,302	14,760
Non-controlling interest		<u>(20)</u>	<u>676</u>
Profit for the year		<u><u>23,282</u></u>	<u><u>15,436</u></u>
Total comprehensive income for the year		<u><u>23,282</u></u>	<u><u>15,436</u></u>
Attributable to:			
- Owners of the parent		23,302	14,760
- Minority interest		<u>(20)</u>	<u>676</u>
Total comprehensive income for the year		<u><u>23,282</u></u>	<u><u>15,436</u></u>

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
Cash flows from operating activities			
Net profit before taxation		23,625	26,616
Adjustments for:			
Allowance doubtful accounts receivables	19	100	72
Depreciation and amortization	18 - 21	4,738	9,389
Loan commission amortisation		85	203
Fair value of forward contracts	8	-	275
Debt forgiven	22	(189)	(806)
Movement in provision for other liabilities and charges		(7)	-
Unrealised foreign exchange loss/(gain), net	23	(1,427)	(437)
Interest and bank commission expense	23	<u>12,142</u>	<u>24,749</u>
Operating profit before changes in working capital		39,067	60,061
Changes in working capital:			
Increase in inventories		(171,500)	(14,977)
(Increase)/ Decrease in trade and other receivables	10	(9,595)	2,016
(Decrease)/Increase in trade and other payables		<u>9,796</u>	<u>(12,329)</u>
Cash generated from operations		(132,232)	34,771
Interest and other finance costs paid		<u>(11,763)</u>	<u>(25,221)</u>
Net cash (used)/ generated by operating activities		(143,995)	9,550
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,147	3,502
Purchases of property, plant and equipment		<u>(6,577)</u>	<u>(6,847)</u>
Net cash used in investing activities		(5,430)	(3,345)

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
Cash flows from financing activities			
Proceeds from borrowings		314,202	193,469
Repayments of borrowings		<u>(178,117)</u>	<u>(182,462)</u>
Net cash from financing activities		136,084	11,007
Effect of exchange rate changes on cash movements		(170)	297
Net increase in cash and cash equivalents		<u>(13,511)</u>	<u>17,509</u>
Cash and cash equivalents at the beginning of the period/year		<u>26,158</u>	<u>8,649</u>
Cash and cash equivalents at 31 December 2018 (Note 13)		<u>12,647</u>	<u>26,158</u>

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Attributable to equity holders of the Company</u>								
	Ordinary shares	Translation reserves	Revaluation reserves	Share options	Retained earnings	<u>Total</u>	<u>Non- controlling Interest</u>	<u>Total Equity</u>	
Balance at 30 June 2017/ 1 July 2017	281	-	39,466	1,603	162,629	203,979	12,875	216,854	
Comprehensive income									
Net profit for the period	-	-	-	-	14,760	14,760	676	15,436	
Currency translation differences	-	-	-	-	-	-	-	-	
Fixed assets revaluation net of tax	-	-	-	-	-	-	-	-	
Deferred tax charge on RE	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	<u>281</u>	<u>-</u>	<u>39,466</u>	<u>1,603</u>	<u>177,389</u>	<u>218,739</u>	<u>13,551</u>	<u>232,290</u>	
Balance at 31 December 2017	<u>281</u>	<u>-</u>	<u>39,466</u>	<u>1,603</u>	<u>177,389</u>	<u>218,739</u>	<u>13,551</u>	<u>232,290</u>	

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Attributable to equity holders of the Company</u>							Non-	
	Ordinary	Translation	Revaluation	Share options	Retained		controlling	Total	
	shares	reserves	reserves		earnings	<u>Total</u>	<u>Interest</u>	Equity	
Balance at 30 June 2018/1 July 2018	281	-	39,466	1,603	187,371	228,721	14,249	242,970	
Comprehensive income									
Net profit for the period	-	-	-	-	23,302	23,302	(20)	23,282	
Currency translation differences	-	-	-	-	-	-	-	-	
Fixed assets revaluation net of tax	-	-	-	-	-	-	-	-	
Deferred tax charge on RE	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	<u>281</u>	<u>-</u>	<u>39,466</u>	<u>1,603</u>	<u>210,673</u>	<u>252,023</u>	<u>14,229</u>	<u>266,252</u>	
Balance at 31 December 2018	<u>281</u>	<u>-</u>	<u>39,466</u>	<u>1,603</u>	<u>210,673</u>	<u>252,023</u>	<u>14,229</u>	<u>266,252</u>	

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

1 GENERAL INFORMATION

Aragvi Holding International Limited (“the Company”) is the company domiciled in the Republic of Cyprus with a juridical address Aphrodites 25, Room 204, P.C.1666, Nicosia, Cyprus. The Company Aragvi Holding International Limited was incorporated in the Republic of Cyprus on 21 June 2012 as a limited liability Company under registration number HE 308295. Its registered office is at Menandrou, 4 Gala Tower, 2nd floor, 1066, Nicosia, Cyprus.

The Company acquired its subsidiaries through a business combination under common control. The consideration held by the shareholder of the Company in the subsidiaries of the Group was subscribed as contribution in kind to the share capital of the Company upon its incorporation.

The interim consolidated financial statements of the Group as at and for the six month period ended 31 December 2018 comprise the Company and its subsidiaries (together refer to as a ‘Group’ and Individually as ‘Group entities’) and special purpose entities.

The Group’s principal activity is the production of vegetable oils (bottled and in bulk) and meals, the wholesale trade of cereals, oil seeds, farming and transshipment operations.

The Group’s financial year is from 1 July to 30 June. This set of interim consolidated financial statements has been prepared for the six month period ended 31 December 2018.

As of 31 December 2018 the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Company were as follows:

Entity	Principal Activity	Country of in corporation	Sharehol- ding,%
Visions Holding SA	Holding company	Switzerland	100.00
Stareverest Trading & Investment Limited		Cyprus	100.00
Trezeme Limited		Cyprus	100.00
Amableus Limited		Cyprus	100.00
Kelley Grains Corporation SRL		Moldova	100.00
Agroindexport SRL		Moldova	100.00
IM Trans Oil Refinery SRL	Oils seeds crushing plant	Moldova	100.00
Floarea Soarelui SA		Moldova	84.66
Trans Cargo Terminal SRL	Free trade zone resident. Port grain elevator. Provision of grain and oilseed forwarding services.	Moldova	100.00
ICS Trans Bulk Logistics SRL	Free trade zone resident. Port grain elevator. Provision of grain and oilseed forwarding services. Special purpose entity.	Moldova	80.00
FFA Trans Oil LIMITED SRL	Whole sale grains trading company	Moldova	100.00
Trans-Oil International SA		Switzerland	100.00

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

Entity	Principal Activity	Country of in corporation	Sharehol- ding,%
Elevator Kelley Grains SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services. Cultivation of agriculture products and animals.	Moldova	89.77
Combinatul de Cereale Aur Alb SA	Grain elevator. Flour meal. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	63.52
Combinatul de Produe Cerealiere Cereale Prut SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	85.79
Elevatorul Iargara SA		Moldova	89.73
Flograin Group SRL		Moldova	100.00
Anengrain - Group SRL		Moldova	100.00
Unco-Cereale SRL		Moldova	100.00
IM Prut SA		Moldova	61.93
Molgranum SRL		Moldova	99.99
Intreprinderea de Transport nr. 7 SA	Logistics and maintenance of vehicles	Moldova	73.22
Floarea-Soarelui Comert SRL	Dealership of bottled oil	Moldova	84.66
Reniyskiy Elevator OOO	Free trade zone resident. Port grain elevator. Provision of grain forwarding services.	Ukraine	94.77
Reni-Line OOO	Free trade zone resident. Port grain elevator. Provision of grain forwarding services.	Ukraine	66.70
Uleinord SRL		Moldova	100.00
Agrofloris-Nord SRL	Special purpose entity. Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
Ceba Grup SRL	Special purpose entity. Whole sale grains trading company.	Moldova	100.00
Agrotest-Lab SRL	Provision of laboratory services.	Moldova	100.00
Aragvi Finance International DAC	Special purpose entity. Intended to be the issuer of Eurobonds. Please refer to Note 30.	Ireland	100.00
Trans-Oil Commodities SRL	Special purpose entity. Whole sale grains trading company.	Moldova	100.00

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

Seasonality of operations

Generally, the Group is not exposed to significant seasonality factors. First quarter is usually driven by origination and infrastructure segments that reflect higher volumes in the several months after commencement of the harvesting campaign (July – for winter grains and September for crops harvested in autumn).

Second and Third quarters have high sales, as it these corresponds to the season peak, as well as follow the structure of trade finance lines made available to the Group by various lenders.

Fourth quarter of the financial year has seasonally lower sales, which corresponds to the end of the crushing season and lower production levels. Also, origination segment experiences decreasing volumes due to lower level of available commodities on Group's main origination markets.

2 NUMBER OF EMPLOYEES

At 31 December 2018 the Group had 1,772 employees (30 June 2018: 1,722).

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all years disclosed in this interim consolidated financial statement unless otherwise stated. These interim consolidated financial statements were prepared for the six month period ended 31 December 2018.

3.1 Basis of preparation

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, except for the comparative information included in the interim consolidated statement of cash flows (Note 3.24). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for year ended 30 June 2018.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its consolidated financial statements for the year ended 30 June 2018. The new standards and interpretations effective for the first time periods beginning on (or after) 1 January 2018 will be adopted in the consolidated financial statements for the year ended 30 June 2019. However, none of the new standards and amendments that are effective for the first time for periods beginning on (or after) 1 January 2018 have a material effect on the Group.

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.1 Basis of preparation (continued)

The Parent and its subsidiaries maintain their accounting records in local and functional currencies and in accordance with the accounting and reporting regulations of the countries of incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the interim consolidated financial statements are based on Statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRSs.

Income and cash flow statements

The Group presents the statement of comprehensive income by function of expenses.

The Group reports cash flow from operating activities using the indirect method. Cash flow from investing and financing activities are determined using the direct method.

The income statement and the cash flow statements are presented for the six month period from 1 July 2018 to 31 December 2018.

Adoption of new and revised IFRSs

As from 1 July 2018, the Group adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations and are presented in the paragraphs below.

At the date of approval of these interim consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the interim consolidated financial statements of the Group.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

At the date of approval of these interim consolidated financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

- *IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).*

Amendments

IFRS Interpretations Committee

- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).*
- *Amendments to IAS 40: "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).*
- *Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).*
- *Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).*
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
- *Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).*

New IFRICs

- *IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).*

Adoption of the IFRS 9, IFRS 15 and IFRS 16 is not mandatory for the present interim consolidated accounts of the Group as at 31 December 2018.

IASB has issued the Standard, **IFRS 15 'Revenue from Contracts with Customers'** (IFRS 15) in May 2014 and it establishes single model to deal with revenue from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

This standard introduces a 5-step approach to revenue recognition and measurement:

- Step 1: Identify the contract with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

For the Group the standard is effective for annual period beginning on 1 July 2018. IFRS 15 applies to new contracts created on or after the effective date and to existing contracts that are not yet complete as of the effective date. Therefore, the current year figures reported in the first year of adoption will be prepared as if the standard's requirements had always been applied. The Group anticipates that the application of IFRS 15 in the future will have a limited impact on its export sales it may be necessary to recognize a separate performance obligation and allocate part of the transaction price to a carriage and freight services incorporated in some contracts as well as timing of revenue recognition from these services. The Group finds impracticable to provide a reasonable estimate of the effect of IFRS 15 until it performs a detailed review of significant number of existing contracts. The Group expects to be able to provide such information in its consolidated financial statements for the year ended 30 June 2019.

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes the classification and measurement of financial assets and financial liabilities; Impairment methodology and Hedge accounting.

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value through profit and loss or fair value through other comprehensive income.

The impairment model under IFRS 9 introduces a new impairment model based on expected loss, rather than incurred loss as per IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses.

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overvalued and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

The Group anticipates that the application of IFRS 9 in the future will have some limited impact on amounts of bad debt provision for accounts receivable due to introduction of a new impairment model based on expected credit losses, rather than incurred losses. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review. Management expects to be able to provide such information in the consolidated financial statements for the year ended 30 June 2019.

IFRS 16 Leases has been published in January 2016 and establishes a comprehensive model for the identification of lease agreements and accounting treatments for both lessors and lessees. For the Group the standard is expected to be effective for annual period beginning on 1 July 2019. The standard distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases have been removed for lessee accounting, and are replaced by a model where a right-of-use asset and corresponding liability have to be recognised in the statement of financial position for all leases by lessees except for short-term leases and leases of low value assets. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group has a several non-cancellable operating land lease agreements in Giurgiulesti Free Economic Zone, where the Group's port facilities are located. Related commitments under these agreements amounted to USD 15,073 thousand as at 30 June 2018. IAS 17 'Leases' does not require the recognition of any right-of-use asset or liability for future payments for such land lease agreements, instead, it requires to disclose operating lease commitments in notes to the consolidated financial statements. Based on the Group's assessment these arrangements will meet the definition of a lease under IFRS 16, and thus, the Group will need to recognise a right-of-use asset and a corresponding liability in respect of leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the Group's consolidated financial statements. The Group expects to recognise a right-of-use asset and a corresponding liability in respect of USD 13,220 for the year ended 30 June 2020.

(ii) Not adopted by the European Union

New standards

- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

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3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

(ii) Not adopted by the European Union

Amendments

- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).*
- *Annual Improvements to IFRSs 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).*

New IFRICs

- *IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).*

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3.2 Functional and preparation currency

Items included in the financial statements of each of the Group's entities are measured using US Dollar. Other currencies in which entities operate, which are Moldovan Lei (MDL), Swiss Franc (CHF), Euro (EUR), Ukrainian Hrivnea (UAH) are considered as foreign currencies.

Transactions in currencies other than the functional currencies of the Group companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the statement of financial position date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

ARAGVI HOLDING INTERNATIONAL LIMITED

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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Functional and preparation currency (continued)

At 31 December 2018, the official rate of exchange as determined by the National Bank of Moldova was US dollar ("USD"), USD 1 = 17.1427 MDL (30 June 2018: 16.8430) and Euro ("EUR"), EUR 1 = 19.5212 MDL (30 June 2018: 19.5261), USD 1 = 0.9918 CHF (30 June 2018: 0.9966), EUR 1 = 1.1294 CHF (30 June 2018: 1.1554).

3.3 Going concern

These interim financial statements have been prepared based on the going concern principle, which assumes that the Group will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows. The management believes that the Group will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these financial statements.

3.4 Basis of consolidation

The interim consolidated financial statements comprise the financial statements of Aragvi Holding International Limited and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, i.e. six month period ended 31 December, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal.

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.4 Basis of consolidation (continued)

Non-controlling interests at the date of the statement of the financial position represent the non-controlling equity holders' portion of the fair values of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling equity holders' portion of movements in equity since the date of the acquisition. Total comprehensive income of subsidiaries is attributed to the equity holders of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Special purpose entities are consolidated based on the assumption that the Group has control and consequently the special purpose entity conducts its activities to meet Group's specific needs, the Group has decision making powers, the Group has the right to the entities benefits and the Group is exposed to the entities business risks.

Share capital of SPE's is not a subject to elimination and remains at the consolidated level of the Group.

3.5 Business Combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

In the case that identifiable net assets attributable to the Group, after reassessment, exceed the cost of the acquisition, the difference is recognised in profit and loss as a gain on bargain purchase. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Holding.

ARAGVI HOLDING INTERNATIONAL LIMITED

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**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of fair value of consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Property, plant and equipment

Property, plant and equipment are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Positive differences on property, plant and equipment revaluation are recognised as revaluation reserve included in shareholders' equity.

Negative revaluation differences are deducted from the revaluation reserve if amounts arising on prior revaluations of the respective assets exist or are otherwise recognised as a loss in the reporting period.

The amounts included in the revaluation reserve are transferred to retained earnings when the related assets are disposed of.

Construction in progress is carried at cost less provision for any impairment in value. Upon completion, assets are transferred to property, plant and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.7 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method from the time assets are available for use. So to write down their cost or valuation to their estimated residual values over their remaining useful lives from the date of revaluation report:

<u>Type</u>	<u>Years</u>
Buildings and construction	3 - 42
Plant, machinery and equipment	1 - 35
Agricultural vehicles and equipment	3 - 10
Other fixed assets and assets used in non-core activities	3 - 4
Land is not depreciated	-

When an item of property, plant and equipment is re-valued, any accumulated depreciation is reversed so that the carrying amount of the asset after revaluation equals its re-valued amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent costs are depreciated over the remaining useful life of the related asset.

Buildings and constructions, production machinery and equipment, accounted for at revalued amounts, being the fair value, which is determined using management's professional evaluation on a yearly basis. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Except for land, all other property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

The fair value was defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets was determined at their market value. If there is no market-based evidence of fair value because of the specialised nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income approach was used to estimate the fair value.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.7 Property, plant and equipment (continued)

Property, plant and equipment acquired in a business combination are initially recognised at their fair value which is based on valuations performed by independent professionally qualified appraisers.

Capitalised costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the income statement as incurred.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income or loss. However, such increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, such decrease is debited directly to other comprehensive income or loss to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on revalued assets is charged to the profit or loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

Impairment

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The recoverable amount is determined as the higher of the asset's net selling price and value in use. The value in use of the assets is estimated based on the forecast future cash inflows and outflows to be derived from continuing use of the assets and from the estimated net proceeds on disposal, discounted to present value using an appropriate discount rate.

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.8 Intangible assets

Trademarks

Intangible assets acquired separately from a business are capitalised at initial cost. The 'Floris', 'Mister Cook' and 'Aroma Soarelui' trademarks have indefinite useful life and thus are not amortised but are tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired.

Other intangible assets

Expenditure on acquired software, know-how and licenses is capitalised and amortised using the straight-line method over their expected useful lives. The estimated useful lives assigned to intangible assets do not exceed 5 years. Costs associated with maintenance of computer software are recognised as an expense as incurred.

3.9 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Trade receivables and advances given

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An allowance for doubtful trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 12 months overdue) are considered indicators that the trade receivable is impaired.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.9 Financial instruments (continued)

The amount of the provision is the difference between the asset's carrying amount and the present value estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'distribution costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'distribution costs' in the income statement.

Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated as hedging instruments are classified into the following categories upon initial recognition: • loans and receivables; • financial assets at fair value through profit or loss; • held to maturity investments; and • available-for-sale financial assets. The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.9 Financial instruments(continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Management determines the appropriate classification of its investments at the time of acquisition.

The Company has equity investments in subsidiaries and associates. All material subsidiaries are consolidated. Remaining investments are accounted for and disclosed as available-for-sale investments in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

(c) Held-to-maturity investments

Held-to-maturity investments are carried at cost less impairment, due to the absence of market indicators of their fair value. The amount of the impairment loss for available-for-sale equity investments is calculated as the difference between the asset’s cost and the present value of expected future cash inflows discounted at the weighted average cost of the Group’s capital. All purchase and sales of equity securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date the Group commits to purchase or sell the equity securities.

d) Financial assets through profit or loss

Financial assets at fair value through profit or loss include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.9 Financial instruments (continued)

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition of financial assets and liabilities

Financial assets

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

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

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.9 Financial instruments (continued)

Financial liabilities

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

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

Offsetting financial instruments

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

3.10 Derivative financial instruments

Forward contracts

Forward contracts, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when the Group becomes a party to the contractual provisions of the instrument and are subsequently re-measured to fair value at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotation or using models and other valuation techniques, the key inputs for which include current market and contractual prices for the underlying instrument, time to expiry, yield curves, volatility underlying instrument and counterparty risk.

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**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.11 Inventories

Trading inventories are stated of the lower of cost or net realisable value. Unrealised gains and losses from changes in fair value are reported in cost of goods sold.

Other inventories are valued at the lower of cost or net realisable value. Cost is determined using the weighted average method and comprises material costs, labour costs, and purchase value.

Financing and storage costs related to inventory are expensed as incurred.

3.12 Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the consolidated statement of financial position date.

3.13 Shareholders' equity

a) Share capital

Ordinary shares are classified as equity.

b) Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity on approval by the Company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued

c) Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are approved before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or approved after the balance sheet date but before the consolidated financial statements are authorised for issue.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells vegetable oil and oilcake, seeds, cereals and other goods in the wholesale market. Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customer.

(b) Commission revenue

Commission income is recognised when the right to receive payment is established.

(c) Processing services

The Group renders raw material processes services to third parties. These services are provided on a time and material basis. Revenue is measured at the contractual rates for labour hours and contractual prices for materials consumed, and recognised when the processed product is dispatched to the customer.

3.15 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies other than the functional currency of the relevant Group are translated into that functional currency at exchange rates ruling at the balance sheet date.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Exchange differences arising from the settlement of transactions denominated in foreign currencies are included in the income statement.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted in Republic of Moldova, Swiss Confederation and Republic of Cyprus. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts projected to be paid to the tax authorities.

Deferred income tax is calculated using the balance sheet liability method in respect of temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation to be made.

3.18 Pension costs and employee benefits

The Group, in the normal course of business, makes payments to the Moldovan State on behalf of its employees.

The Group agreed to provide certain retirement benefits for its employees which are unfunded. The management uses for estimation of the legal obligation in relation with retirement benefits other method than actuarial technique considering technique cannot be properly applied due to uncertainty regarding demographic predictions in Moldova and future salary costs evolution of the group entities.

3.19 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but is disclosed when an inflow of economic benefits is probable.

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**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.20 Subsequent events

Post year end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the accompanying financial statements. Post year end events that are not adjusting events are disclosed in the notes when material.

3.21 Related parties

Parties are considered related when one party either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control, or significantly influence the other party.

3.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

3.23 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.24 Comparatives

Comparative information is disclosed in respect of the previous period for all numerical information in the interim consolidated financial statements. Comparative information is also included for narrative and descriptive information when is relevant to an understanding of the current period's consolidated financial statements.

**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.24. Comparatives (continued)

The comparative information included in interim consolidated statement of cash flows has been presented for the full year ended 30 June 2018, even though IAS 34 requires the statement of cash flows to be presented with comparative information for the equivalent period in the previous financial year.

Management found impracticable to prepare the interim consolidated statement of cash flows for the comparative six month period ended 31 December 2017, instead presenting it for the full year ended 30 June 2018. Management considers that this presentation will not significantly impact the understanding of these interim consolidated financial statements by the users.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity financial instruments, all of which are exposed to general and specific market movements. Management reviews such risks periodically, with the objective of ascertaining whether they are likely to exceed certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Moldovan Lei and EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Management has set up a policy to require Group companies to manage their foreign exchange risk against functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities of the Group use foreign currency (Moldovan Lei and EUR) for sales and purchase contracts.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from short-term originated loans, and short-term borrowings from banks and suppliers. The Group's borrowings and loans have been issued mainly at fixed rates and for some borrowings at fixed margin plus 3 or 6 month LIBOR. Fair value of borrowings approximates their carrying value. The Group's significant interest bearing liabilities are disclosed in Note 4.3. The Group has not entered into any hedging arrangements in respect of its interest rate exposures.

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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

Cash and cash equivalents are placed with a limited number of financial institutions. However, risk of loss is remote because the Group has a policy of only using large, creditworthy financial institutions. Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of allowance for doubtful accounts receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 December 2018	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
Trade and other payables	20,854	1,859	3,273	-	25,986
Borrowings	12,963	53,292	242,920	52,230	361,405
Total	33,817	55,151	246,193	52,230	387,391

30 June 2018	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
Trade and other payables	18,316	-	2,650	-	20,966
Borrowings	19,767	124,344	38,647	64,587	247,345
Total	38,083	124,344	41,297	64,587	268,311

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

d) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the legal department of the Group, as well as by the monitoring controls applied by the Group. The amount of possible contingent penalties to be paid on the transactions identified as non-compliant with legal requirements of the repatriation law of Republic of Moldova are disclosed in Note 27.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and to reduce the cost of capital.

The Shareholder monitors gearing at its level. The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the balance sheet) less cash and cash equivalents.

Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratio as at 31 December 2018 and 30 June 2018 was as follows:

	<u>31 December 2018</u>	<u>30 June 2018</u>
Total borrowings (Note 15)	361,405	247,345
Less: cash and cash equivalents (Note13)	<u>(12,647)</u>	<u>(26,158)</u>
Net debt	348,758	221,187
Total equity	<u>252,023</u>	<u>228,721</u>
Total capital	<u>600,781</u>	<u>449,908</u>
Gearing ratio	<u>58%</u>	<u>49%</u>

The gearing ratio as at 31 December 2018 constituted 58%.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Interest rate risk

Interest rate risk is the risk that value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash-flow are substantially independent of changes in market interest rates as the Group has no interest-bearing assets. The Group is exposed to interest risk in relation to its current and non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

	<u>31 December 2018</u>	<u>30 June 2018</u>
Fixed rate	34,399	31,034
Variable rate	<u>312,838</u>	<u>201,158</u>
Total	<u>347,237</u>	<u>232,192</u>

The Group does not use any derivatives to manage interest rate risk exposure.

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2018 would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

<u>31 December 2018</u>		<u>30 June 2018</u>	
Equity	Profit and Loss	Equity	Profit and Loss
3,472	3,472	2,322	2,322

4.4 Fair value estimation

Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. The Company classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date; or
- Level 2 Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or
- Level 3 Unobservable inputs for the assets or liabilities, requiring the Company to make market based assumptions.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value estimation (continued)

Level 1 classification primarily include financial assets and financial liabilities that are exchange traded, whereas Level 2 classifications primarily include financial assets and financial liabilities which derive their fair value primarily from exchange quotes and readily observable quotes. Level 3 classifications primarily include financial assets and financial liabilities which derive their fair value predominately from models that use applicable market based estimates surrounding location, quality and credit differentials. In circumstances where the Company cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

It is the Company's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default, insolvency or bankruptcy by the counterparty.

The following tables show the fair values of financial assets and financial liabilities as at 31 December 2018 and 30 June 2018. Other assets and liabilities which are measured at fair value on a recurring basis are cash and cash equivalents. There are no nonrecurring fair value measurements.

31 December 2018	Level 1	Level 2	Level 3
Non-financial assets			
Property, plant and equipment	-	-	233,616
Total	-		233,616
30 June 2018	Level 1	Level 2	Level 3
Non-financial assets			
Property, plant and equipment	-	-	232,946
Total	-		232,946
31 December 2018	Level 1	Level 2	Level 3
Financial Assets			
Forward Contracts	-	40,051	-
Total	-	40,051	-

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value estimation (continued)

30 June 2018	Level 1	Level 2	Level 3
Financial Assets			
Forward Contracts	-	61,029	-
Total	-	61,029	-
31 December 2018			
Financial liabilities			
Borrowings	-	-	361,405
Total	-	-	361,405
30 June 2018			
Financial liabilities			
Borrowings	-	-	247,345
Total	-	-	247,345

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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**5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS
(CONTINUED)**

5.1 Critical accounting estimates and assumptions (continued)

(a) Estimated fair value of property, plant and equipment

At each balance sheet date the Group assesses whether the carrying amount of the Group's assets significantly differ from their fair value.

As at 30 June 2017, the group performed a revaluation of its assets. The revaluation was performed in accordance with International Valuation Standards by Winterhill SRL. The value of the assets of the group reached an amount of 237,191 USD.

As at June 2017, for the purposes of an assessment of fair value of property, plant and equipment of the Group, management made the following assumptions and estimates related to new markets:

- Earnings before Interest Tax and Depreciation for the 12 months periods ending 30 June 2019 until 30 June 2022 are projected to be not lower than USD 60,317, USD 74,110, USD 83,086 and USD 90,513 respectively;
- Selling and raw material prices for forecasted period were considered to increase per annum at a correlated rate to increase of selling prices for finished products during subsequent financial periods;
- Net working capital increase considered in line with revenue and selling and general and administrative expenses increase.

b. Tax legislation and income tax

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c. Related party borrowings

In the normal course of business the Group enters into transactions with its related parties. These transactions are priced predominantly at market rates.

Judgement is applied in determining if borrowings are provided at market or non-market interest rates, where there is no active market for similar transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

**5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS
(CONTINUED)**

5.1 Critical accounting estimates and assumptions (continued)

d. Impairment of trade and other receivables

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record, the customer's overall financial position and any other market information concerning the client which becomes available. If indications of irrecoverability exist, the recoverable amount is estimated and a respective impairment of trade and other receivables is made. The amount of the provision is charged through the combined consolidated statement of comprehensive income. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly. Where there are litigations in progress, balances are provided accordingly.

e. Write down of inventories

The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The amount of write down for obsolete and slow moving inventory is based on management's past experience, taking into consideration the value of inventory items close to expiry as well as the movement and the level of stock of each category of inventory. The amount of write down is recognized in the combined consolidated statement of comprehensive income. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the amount of write down for obsolete and slow moving inventory are reviewed regularly and adjusted accordingly.

f. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the 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 costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

**5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS
(CONTINUED)**

5.1 Critical accounting estimates and assumptions (continued)

g. Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

h. Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate their present value.

The carrying amount of goodwill at 31 December 2018 and intangible assets with indefinite useful lives amounted to USD 50,448 (30 June 2018: USD 50,448). No impairment loss was recognised for the six month period ended 31 December 2018 and financial year ended 30 June 2018.

i. Useful lives

The Group depreciates its fixed assets and intangible assets over their estimated useful lives which are assessed on an annual basis. The actual lives of these assets can vary depending on a variety of factors. Technological innovation, product life cycles, and maintenance programs all impact the useful lives and residual values of the assets. In financial year 2014 management revised the depreciation policy and applied the standards used by the Group's direct competitors in the Black Sea region.

j. Advances for agricultural and farming activity

For the purposes of an assessment of fair value gains on the agricultural activity, management made the following assumptions and estimates:

- Market prices for commodities to be received as result of the agreement were benchmarked to prices on the date of receipt of commodities;

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6 PROPERTY, PLANT AND EQUIPMENT

	<u>Land, buildings and constructions</u>	<u>Plant, Machinery and equipment</u>	<u>Other fixed assets of non-core activities</u>	<u>Assets in course of construction</u>	<u>Total</u>
As at 30 June 2017					
Net book amount	<u>128,555</u>	<u>84,914</u>	<u>12,990</u>	<u>10,732</u>	<u>237,191</u>
Year ended 30 June 2018					
Opening net book amount	128,555	84,914	12,990	10,732	237,191
Additions	128	198	112	8,208	8,646
Disposals	(925)	(467)	(1,235)	(875)	(3,502)
Transfers	3,877	2,601	169	(6,647)	-
Depreciation charge	<u>(6,181)</u>	<u>(2,756)</u>	<u>(452)</u>	<u>-</u>	<u>(9,389)</u>
Closing net book amount as at 30 June 2018	<u>125,454</u>	<u>84,490</u>	<u>11,584</u>	<u>1,418</u>	<u>232,946</u>

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6 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

	Land, buildings and constructions	Plant, Machinery and equipment	Other fixed assets of non-core activities	Assets in course of construction	Total
As at 30 June 2018					
Net book amount	125,454	84,490	11,584	11,418	232,946
Six month period ended 31 December 2018					
Opening net book amount	125,454	84,490	11,584	11,418	232,946
Additions	860	115	29	5,573	6,577
Disposals	(1)	(735)	(207)	(204)	(1,147)
Transfers	2,813	2,503	106	(5,444)	(22)
Depreciation charge	(3,119)	(1,391)	(228)	-	(4,738)
Closing net book amount as at 31 December 2018	126,007	84,982	11,284	11,343	233,616

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The property, plant and equipment were re-valued on 30 June 2017.

The revaluation was performed in accordance with International Valuation Standards by Winterhill SRL (Romania), a well-known valuation Company, who holds recognised and relevant professional qualifications and has recent experience in valuation of assets of similar location and category.

The valuation of assets was performed at fair value in compliance with International Standards on Valuation which defines fair value as “The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction”. Fair values were determined based on the income approach.

The composition of the main assets is as follows:

Name & Location	Fair value 30 June 2017
Trans Cargo - Giurgiulesti	44,330
Trans Bulk - Giurgiulesti	7,685
Elevator Anengrain - Anenii Noi	2,180
Transoil - Ceadir Lunga	28,600
Elevator Prut - Cantemir	3,170
Elevator Flograin - Floresti	1,280
Elevator Unco Cereale - Unchitesti	2,895
Elevator Agro Floris Nord - Rogojeni	1,870
Floarea Soarelui - Balti	54,090
Elevator Ulei Nord - Otaci	6,170
Exchange points	3,840
Elevator Kelly Grains 1+2 Causeni	18,040
Elevator Molgranum - Donduseni	4,100
Elevator Cereale Prut - Ungheni	5,800
Aur Alb - Ceadir Lunga	5,600
Elevator Iargara - Iargara	5,140
Elevator Molgranum - Greceni	4,890
Renisky Elevator – Reni	20,190
Reni-Line – Reni	9,920
FFA Trans Oil – Chisinau	7,313
Kelley Grains Corporation – Chisinau	57
Trans-Oil International - Geneva	31
	<u>237,191</u>

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The property, plant and equipment of the Group have been revalued in 2017 by an external and qualified valuator Winterhill Romania SRL. The Group has not valued the assets of Kelley Grains Corporation and Trans-Oil International as these assets are clearly immaterial. The Group has, also, did not value the assets of FFA Trans Oil because management believes the book value of these assets as the fair one. Assets hold by FFA Trans Oil contain following items:

- 75 grain hopper wagons acquired in the financial year 2014;
- Office premises located in Chisinau, at 1 Veronica Micle Street;
- Office premises located in Chisinau, at 27 Lev Tolstoi Street.

The following significant assumptions were applied:

- Cash flows were projected for each operational segment, the weight of each segment from total projected revenues for the periods being as such:
 - crushing segment – 44%;
 - trading segment – 39%
 - refining and bottling segments – 10%;
 - other segments - 7%;
- raw material costs are projected to represent 75% of total revenue throughout remaining projected period. Other production costs, such as labour costs and maintenance expenses were projected based on historical data. Commercial costs were projected on the level of 8% of the total revenue throughout the projection period
- utilities costs comprise the electricity and gas payments. Utilities costs were projected on the basis of historical consumption rates and utilities tariffs provided by the Group as of the valuation date;
- return on investments of 15.5%.

If items of property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	<u>Land, buildings and constructions</u>	<u>Plant, machinery and equipment</u>	<u>Other fixed assets of non-core activities</u>	<u>Assets in course of construction</u>	<u>Total</u>
As at 31 December 2018					
Cost	47,872	39,114	1,092	12,249	100,327
Accumulated depreciation	(13,289)	(21,482)	(521)	-	(35,292)
Net book amount	<u>34,583</u>	<u>17,632</u>	<u>571</u>	<u>12,249</u>	<u>65,035</u>
As at 30 June 2018					
Cost	45,294	37,688	1,087	12,168	96,238
Accumulated depreciation	(12,330)	(20,725)	(517)	-	(33,572)
Net book amount	<u>32,964</u>	<u>16,963</u>	<u>570</u>	<u>12,168</u>	<u>62,666</u>

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets in course of construction comprise equipment which is not yet installed amounting to USD 11,343 (2018: 11,418). The main assets under construction comprise the additional grain storage silo and in Giurgiulesti Port. This improvement will lead to:

- Increase in storage capacity by 10,000 metric tons;
- Increase of annual traded volumes by circa 250,000 metric tons;
- Increase in annual EBITDA by USD 1,200;
- Decrease of loading cost from 4.5 USD to 3.7 USD per metric ton;

Also, a significant improvement is the new extraction division at Floarea Soarelui SA plant. Upgraded extraction will allow to fully realize the potential of investments that have been already made. The main objective for building a new extraction is to match the press division capacity and obtain following benefits:

- Processing capacity will reach 1,200 metric tons of sunflower seeds equivalent per 24h;
- Increase in annual EBITDA by USD 2,500.

As of the date of the present consolidated financial statements, main assets of the Group, as described above, were pledged to various lenders of the Group.

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7 INTANGIBLE ASSETS

	<u>Goodwill</u>	<u>Brands</u>	<u>Computer software</u>	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Total</u>
As at 30 June 2017						
Cost	48,688	1,791	127	24	65	50,695
Accumulated depreciation	<u>-</u>	<u>(30)</u>	<u>(120)</u>	<u>(10)</u>	<u>(18)</u>	<u>(178)</u>
Net book amount	48,688	1,761	7	14	47	50,517
Year ended 30 June 2018						
Opening net book amount						
	48,688	1,761	7	14	47	50,517
Additions	-	-	18	-	4	22
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Depreciation charge	<u>-</u>	<u>(1)</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(23)</u>
Closing net book amount	48,688	1,760	3	14	51	50,516
As at 30 June 2018						
Cost	48,688	1,791	145	24	69	50,717
Accumulated depreciation	<u>-</u>	<u>(31)</u>	<u>(142)</u>	<u>(10)</u>	<u>(18)</u>	<u>(201)</u>
Net book amount	48,688	1,760	3	14	51	50,516
Six month period ended 31 December 2018						
Opening net book amount						
	48,688	1,760	3	14	51	50,516
Additions	-	-	67	-	2	69
Disposals	-	-	(1)	-	-	(1)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Depreciation charge	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(17)</u>
Closing net book amount	48,688	1,760	52	14	53	50,567
As at 31 December 2018						
Cost	48,688	1,791	212	24	71	50,786
Disposals	-	-	(1)	-	-	(1)
Accumulated depreciation	<u>-</u>	<u>(31)</u>	<u>(159)</u>	<u>(10)</u>	<u>(18)</u>	<u>(218)</u>
Net book amount	48,688	1,760	52	14	53	50,567

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7 INTANGIBLE ASSETS (CONTINUED)

On formation of the Group the Goodwill was allocated as follows:

As of 30 June 2012	Total assets	Less historical consideration	Equity valuation	Goodwill
Goodwill related to Visions Holding entities	110,948	26,421	107,667	23,140
Goodwill related to Stareverest entities	<u>80,304</u>	<u>56,684</u>	<u>48,670</u>	<u>25,050</u>
	<u>191,252</u>	<u>83,105</u>	<u>156,337</u>	<u>48,190</u>

As of 31 December 2018, no impairment of goodwill was identified. The recoverable amount was estimated based on the value in business valuation model used for the identification of the net assets of the entities owned by Visions Holding and Stareverest as of date of in-kind contribution of the shares of Visions Holding and Stareverest for the subscription of the on shares of the Company.

The Group's key intellectual properties are the trademarks used in the bottled oil segment. The Group owns 29 trademarks, out of which 7 are registered with the World Intellectual Property Organization and 22 are registered in Moldova, including the Group's brand name "Trans Oil Group of Companies".

8 FORWARD CONTRACTS

The following tables present the fair value change of the Group's forward contracts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing market interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies.

Forward contracts	31 December 2018	30 June 2018
Fair value of forward contracts	<u>40,051</u>	<u>61,029</u>
	<u>40,051</u>	<u>61,029</u>

ARAGVI HOLDING INTERNATIONAL LIMITED**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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8 FORWARD CONTRACTS (CONTINUED)

Fair value coming from forward contracts is made up from:

	<u>31 December 2018</u>	<u>30 June 2018</u>
Forward contracts for inventory in progress	40,051	61,304
Forward contracts at fair value	<u>-</u>	<u>(275)</u>
	<u><u>40,051</u></u>	<u><u>61,029</u></u>

During financial period 2018, the Group entered into several agreements with farmers in Republic of Moldova for supply of commodities. The farmers cultivate wheat, corn, sunflower seeds, barley and rape seeds on the area of circa 127'000 ha. The Group is entitled to receive all commodities harvested out of those lands.

9 INVENTORIES

	<u>31 December 2018</u>	<u>30 June 2018</u>
Own production	6,254	2,632
Cereals purchased for resale	276,093	108,021
Packing materials	791	651
Raw materials for agricultural products	66	66
Other inventories	<u>1,826</u>	<u>2,160</u>
	<u><u>285,030</u></u>	<u><u>113,530</u></u>

Own production is made by the following:

	<u>31 December 2018</u>	<u>30 June 2018</u>
Refined vegetable oil	4,375	-
Crude vegetable oil	1,242	1,969
Sunflower meal	180	29
Bottled vegetable oil	404	156
Other cereals	<u>53</u>	<u>478</u>
	<u><u>6,254</u></u>	<u><u>2,632</u></u>

ARAGVI HOLDING INTERNATIONAL LIMITED**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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9 INVENTORIES (CONTINUED)

Cereals purchased for resale are made up as follows:

	<u>31 December 2018</u>	<u>30 June 2018</u>
Wheat	59,782	16,345
Barley	38,141	2,314
Sunflower	73,857	48,876
Corn	20,843	13,773
Other cereals	68	503
Soya	24,721	14,146
Rape	47,549	1,420
Crude vegetable oil	8,845	10,617
Sunflower meal	<u>2,287</u>	<u>27</u>
	<u><u>276,093</u></u>	<u><u>108,021</u></u>

Inventories are characterized as readily marketable inventories (RMI) since they relate to commodities which have been purchased by the Group with the intention to be sold. These are treated by the Group as readily convertible into cash because of their commodity characteristics and the fact that there are widely available markets and international pricing mechanisms. The management estimates that the readily marketable inventories represent 75% of the inventories as at the end of the reporting period.

As of the date of the present consolidated financial statements, the majority of the inventories of the Group, as described above, were pledged to various trade finance providers of the Group.

10 TRADE RECEIVABLES AND ADVANCES GIVEN

	<u>31 December 2018</u>	<u>30 June 2018</u>
Trade receivables	14,151	17,772
Advances to suppliers	26,816	13,707
Receivables from related parties (Note 26)	4,411	6,837
Receivables from the State budget	4,347	2,092
Receivables from employees	2,522	771
Other account receivables	4,218	5,746
Less: allowance for doubtful trade receivables and advances given	<u>(7,644)</u>	<u>(7,699)</u>
	<u><u>48,821</u></u>	<u><u>39,226</u></u>

Advances to related parties and to suppliers have a non-financial character.

The amount of value added tax ('VAT') receivable included in the Receivables from the State budget amounts to USD 3,093 (30 June 2018: USD 1,705). This amount is applicable for the refund from the Government as well as there is a possibility to net off the amount with VAT inland sales.

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10 TRADE RECEIVABLES AND ADVANCES GIVEN (CONTINUED)

The movement in allowance for doubtful accounts receivables and advances given is as follows:

	<u>31 December 2018</u>	<u>30 June 2018</u>
Balance as at 1 July	(7,699)	(7,475)
Increase in provision	(100)	(72)
Exchange rate difference	<u>155</u>	<u>(152)</u>
Balance at financial period/year ending	<u><u>(7,644)</u></u>	<u><u>(7,699)</u></u>

Trade receivables past due less than twelve month are not considered impaired. The ageing analysis of overdue receivables and not impaired is as follows is as following:

	<u>31 December 2018</u>	<u>30 June 2018</u>
3 to 6 months	2,750	2,968
6 to 12 months	1,127	1,388
Over 12 months	<u>794</u>	<u>934</u>
	<u><u>4,671</u></u>	<u><u>5,290</u></u>

The balance of the receivables from personnel represent the amounts provided to the directors of the companies to fulfil acquisitions of the commodities from the small farmers and as of 31 December 2018 the balance of such amounts is USD 2,522 (30 June 2018: USD 771).

The carrying amounts of the Group's Trade receivables and other receivables are denominated in the following currencies:

	<u>31 December 2018</u>	<u>30 June 2018</u>
MDL	2,554	1,291
USD	15,716	22,048
EUR	<u>99</u>	<u>179</u>
	<u><u>18,369</u></u>	<u><u>23,518</u></u>

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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11 AVAILABLE FOR SALE FINANCIAL ASSETS

	<u>31 December 2018</u>	<u>30 June 2018</u>
Balance as of 1 July	_____ 46	_____ 46
Balance at financial period/year ending	===== 46	===== 46

12 ADVANCES GIVEN AND RECEIVED

	<u>31 December 2018</u>	<u>30 June 2018</u>
Advances given for long-term rent	_____ 1,779	_____ 1,849
	===== 1,779	===== 1,849

Advances given for long-term rent relates to lease agreements of land between the Group and Danube Logistic SRL for the lease of several plots of land in Giurgiulesti Free Economic Zone, where the Group's port facilities are located. These lease agreements have maturities in 2032 and 2033.

	<u>31 December 2018</u>	<u>30 June 2018</u>
Long-term advances received	_____ 5,163	_____ 387
	===== 5,163	===== 387

Increase in long-term advances received relates to an advance received from a customer for a delivery of sunflower seeds oil in February 2020.

13 CASH AND CASH EQUIVALENTS

	<u>31 December 2018</u>	<u>30 June 2018</u>
Cash at banks in foreign currencies	3,715	664
Cash in transit	44	46
Cash at banks in USD	8,709	25,392
Cash in hand	_____ 179	_____ 56
	===== 12,647	===== 26,158

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14 SHARE CAPITAL

	Number of shares	Amount
Ordinary shares	11,000	14
Unsubscribed ordinary shares	1,221	1
Share premium	-	265
Redeemable preference shares	1	<u>1</u>
		<u>281</u>

International Finance Corporation (“IFC”) being a “B” shareholder of Group, is entitled to voting right and some reserved matters. The reserve matters include: general corporate matters, such as changes in business, share capital transactions, acquisitions/disposals, related party transactions, distributions and remunerations.

15 BORROWINGS

	<u>31 December 2018</u>	<u>30 June 2018</u>
Non-current		
Bank borrowings	37,361	49,667
Loan from related party (Note 26)	14,169	14,169
Other financial liabilities	201	252
Other commercial loans	<u>499</u>	<u>499</u>
	<u>52,230</u>	<u>64,587</u>
Current		
Bank borrowings	308,974	182,595
Other financial liabilities	132	141
Other commercial loans	<u>69</u>	<u>22</u>
	<u>309,175</u>	<u>182,758</u>

The exposure of the Group’s borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	<u>31 December 2018</u>	<u>30 June 2018</u>
6 months or less	301,125	169,937
6-12 months	8,050	12,821
1-5 years	36,383	49,313
Over 5 years	<u>15,847</u>	<u>15,274</u>
	<u>361,405</u>	<u>247,345</u>

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15 BORROWINGS (CONTINUED)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<u>31 December 2018</u>	<u>30 June 2018</u>
USD	331,241	227,951
EUR	<u>30,164</u>	<u>19,394</u>
	<u><u>361,405</u></u>	<u><u>247,345</u></u>

	<u>31 December 2018</u>	<u>30 June 2018</u>
Total bank loans	346,335	232,262
Other financial liabilities	333	393
Other commercial loans	568	521
Loan from related party	<u>14,169</u>	<u>14,169</u>
Total	<u><u>361,405</u></u>	<u><u>247,345</u></u>

Split of Group's loans and borrowings by nominal interest rates as of 31 December 2018:

Interest rate range, %	<u>0-3</u>	<u>3-5</u>	<u>5-8</u>	<u>8-10</u>	<u>Total</u>
Loans and Borrowings	14,927	58,707	260,326	27,445	361,405

Split of Group's loans and borrowings by nominal interest rates as of 30 June 2018:

Interest rate range, %	<u>0-3</u>	<u>3-5</u>	<u>5-8</u>	<u>8-10</u>	<u>Total</u>
Loans and Borrowings	15,148	88,931	108,457	34,809	247,345

The bank borrowings are pledged by the Group inventories, trade receivables and property, plant and equipment.

16 TRADE AND OTHER PAYABLES

	<u>31 December 2018</u>	<u>30 June 2018</u>
Trade payables	7,844	2,973
Advances received	15,612	14,184
Payroll and social insurance payable	671	1,284
Taxes and other payables	<u>1,859</u>	<u>2,525</u>
	<u><u>25,986</u></u>	<u><u>20,966</u></u>

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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

17 REVENUE

	<u>31 December 2018</u>	<u>31 December 2017</u>
Sales of grains and seeds	218,117	155,973
Sales of vegetable oil	49,558	64,883
Sales of oil meal	6,310	5,000
Sales of packed vegetable oil	3,010	3,253
Storage, Cleaning and Drying Services	2,399	2,485
Sale of other products	<u>2,560</u>	<u>1,045</u>
	<u><u>281,954</u></u>	<u><u>232,639</u></u>

18 COST OF SALES

	<u>31 December 2018</u>	<u>31 December 2017</u>
Opening stocks (Own production and Cereals purchased for resale)	110,653	95,292
Purchases of goods for resale	391,770	306,814
Closing stocks(Own production and Cereals purchased for resale)	<u>(282,347)</u>	<u>(226,387)</u>
	<u><u>220,076</u></u>	<u><u>175,719</u></u>
Depreciation	2,645	2,662
Water gas and electricity	173	158
Wages and salaries	688	801
Consumables	73	17
Transportation	32	24
Packing materials	6	10
Social contributions	184	200
Port services	253	324
Rent	314	537
Fuel	148	267
Maintenance	78	81
Materials	9	34
Other expenses	<u>127</u>	<u>104</u>
	<u><u>224,806</u></u>	<u><u>180,938</u></u>

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19 SELLING AND DISTRIBUTION

	<u>31 December 2018</u>	<u>31 December 2017</u>
Freightage expenses	9,583	9,105
Transportation	1,816	3,290
Railroad expenses	1,830	3,136
Wages and salaries	234	236
Allowance for doubtful debts	100	72
Inspections and surveys	859	1,039
Other commercial services	231	329
Certification and expertise	178	346
Custom duties	51	67
Packing expenses	58	100
Loading expenses	405	505
Depreciation	848	830
Storage Services	285	355
Marketing services	10	23
Social contributions	59	65
Other Selling and Distribution expenses	<u>63</u>	<u>353</u>
	<u><u>16,610</u></u>	<u><u>19,851</u></u>

20 ADMINISTRATIVE EXPENSES

	<u>31 December 2018</u>	<u>31 December 2017</u>
Wages and salaries	1,804	1,603
Bank expenses	191	98
Social contributions	436	513
Taxes	34	93
Legal and consulting expenses	693	725
Entertainment and representation expenses	25	41
Depreciation	364	321
Audit fees	64	23
Maintenance	111	112
Rent	163	142
Telephone and postage	87	134
Survey expenses	127	146
Fuel	86	87
Insurance expenses	44	47
Travelling and accommodation	233	201
Notary's fees	10	8
Other administrative expenses	<u>20</u>	<u>81</u>
	<u><u>4,492</u></u>	<u><u>4,375</u></u>

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21 OTHER (GAINS) / LOSSES – NET

	<u>31 December 2018</u>	<u>31 December 2017</u>
Loss on disposal of fixed assets	45	36
Depreciation	881	839
Rent expenses	385	105
Inventory write off	792	113
Fines and claims	69	91
Tax expenses	32	6
Wages and salaries	323	174
Social contributions	86	12
Loss / (gain) from sale of other assets	(599)	344
Repair and maintenance	6	42
Other expenses	<u>51</u>	<u>83</u>
	<u><u>2,071</u></u>	<u><u>1,845</u></u>

22 OTHER INCOME

	<u>31 December 2018</u>	<u>31 December 2017</u>
Rental income	1	1
Gain from sales of other activities	72	150
Debt forgiven	189	592
Stock count surplus	35	18
Other operating income	<u>153</u>	<u>132</u>
	<u><u>450</u></u>	<u><u>893</u></u>

23 NET FINANCE (INCOME) / COSTS

	<u>31 December 2018</u>	<u>31 December 2017</u>
Interest expenses	8,041	8,495
Net foreign exchange difference	(1,427)	(1,008)
Loan Commissions	2,188	2,210
Bank Commissions	1,913	1,063
Loan commission amortisation	<u>85</u>	<u>131</u>
	<u><u>10,800</u></u>	<u><u>10,891</u></u>

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24 INCOME TAX EXPENSE

The Group accrued income taxes at the rate of 12% on profits computed in accordance with the tax legislation of the Republic of Moldova, Switzerland and Cyprus. For the residents of Free trade zone Giurgiulesti there is 0 % and 3% tax rate applicable for all types of income according to the special law of “Free trade zone Giurgiulesti” (article 7 and 8).

Profit before taxation for financial reporting purposes is reconciled to tax expense as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Profit / (loss) before taxation	23,625	15,632
Expenses not deductible for tax purposes	<u>-</u>	<u>-</u>
Total taxable income	23,625	15,632
Tax charge at effective statutory rate of 1.5%-12% (2017: 1.3%-12%)	(343)	(196)
Deferred income tax expense reported in the income statement	<u>-</u>	<u>-</u>
Income tax expense	<u><u>(343)</u></u>	<u><u>(196)</u></u>

The financial year is different from the fiscal year and the tax is provided based on the management best estimates available at the end of the financial year.

Deferred tax represents the amount of temporary difference for the non-current tangible assets. Deferred tax has been accrued and apportioned to income statement as expense and other comprehensive income for the portion arising due current year revaluation of non-current tangible assets of Moldovan entities in the following amounts:

Deferred tax liability as of 30 June 2018	13,488
Movement for first half of financial year 2019	-
Deferred tax liability as of 31 December 2018	<u><u>13,488</u></u>

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25 EMPLOYEE BENEFIT EXPENSE

Contributions are made to the government's retirement benefit scheme at the statutory rates in force during the year based on gross salary payments. The cost of social security payments is charged to the income statement in the same period as the related salary cost. There are no other employee benefits. The cost of social security and other funds payments for financial period ended 31 December 2018 amounted to USD 1,148 (31 December 2017: USD 1,015).

	<u>31 December 2018</u>	<u>31 December 2017</u>
Wages and salaries	3,999	3,555
Social insurance costs and other funds	<u>1,147</u>	<u>1,015</u>
	<u><u>5,146</u></u>	<u><u>4,570</u></u>

The total wages and salaries and social insurance costs and other funds do not reconcile to the respective lines, included in the notes related to Statement of Comprehensive Income. Part of the total employees expenses are accounted in other lines of the aforementioned notes, due to the inclusion of the workmanship into other lines, that subsequently had been expensed to other lines.

26 RELATED - PARTY TRANSACTIONS

The ultimate controlling party as of 31 December 2018 and during the financial year then ended is Mr. Vaja Jhashi. The shareholder and his representatives in the Board of Directors and the Management Board act in co-operation with each other as part of governing and implementing the financial and operating policies of the Group.

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The following list represents other related (non-consolidating parties):

Entity	Principal Activity	Country of in corporation
Vaja Jhashi	Shareholder	n/a
Delta Commodities & Financial Services SA (DCFS)	Relationship via the shareholder	Switzerland
Silcampes-Sud SRL	Relationship via the relatives of the one of management of Aragvi	Moldova
Floarea International SRL	Relationship via the DCFS	Romania
Iveria Oil International Limited	Relationship via the shareholder	Georgia

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26 RELATED - PARTY TRANSACTIONS (CONTINUED)

(i) Balances with related parties

	<u>31 December 2018</u>	<u>30 June 2018</u>
Advances and accounts receivable (Note 10)		
Mr.Vaja Jhashi (shareholder)	1,046	1,858
Floarea International SRL	2,768	4,400
Delta Commodity & Financial Services SA	150	22
Silcampes-Sud SRL (other related party)	<u>447</u>	<u>557</u>
	<u>4,411</u>	<u>6,837</u>

	<u>31 December 2018</u>	<u>30 June 2018</u>
Loan from related party (Note 15)		
Mr.Vaja Jhashi (shareholder)	<u>14,169</u>	<u>14,169</u>
	<u>14,169</u>	<u>14,169</u>

The loan is subordinated, non-interest bearing and matures in May 2023.

Key management compensation for the year ended as at 31 December 2018 amounts to USD 425 (31 December 2017: USD 375).

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

27 CONTINGENCIES AND COMMITMENTS**Covenants**

The Group has different sets of financial covenants to be maintained with various lenders. Based on 31st of December 2018 interim financial statements, the Group was in breach with one covenant requirement as stated in the loan agreement of a DFI. See below a summary of the covenant and its respective ratios:

<u>Covenant</u>	<u>Required ratio</u>	<u>Actual ratio</u>
Net Debt to EBITDA	4.5 times	4.9 times

The reason of the breach is the seasonality factor particular to origination and trading companies – to which the Group relates to – and exactly to the fact that as of the 31 December 2018, the origination and trading season is peaking, with high inventory levels financed by various trade finance providers of the Group. However, the covenant definition does not take into account the effect of Readily Marketable Inventories (RMIs) available at the season peaking. The breach has been reoccurring on current reporting date and waivers have been always obtained.

The Group is in process to obtain a formal waiver for this breach. The management does not expect an accelerated repayment or any other consequence caused by this breach.

Taxation

The legislation and fiscal environment in Moldova and their implementation into practice change frequently and are subject to different interpretations by various Ministries of the Government. The Moldovan government has a number of agencies that are authorized to conduct audits ("controls") of Moldovan companies, as well as foreign companies doing business in Moldova. These controls are similar in nature to tax audits performed by taxing authorities in many countries, but may extend not only to tax matters but to other legal or regulatory matters, which the applicable agency may be interested. In addition, the agencies conducting these controls appear to be subject to significantly less regulation and the company under review appears to have significantly less practical safeguards than it is customary in many countries. Profit tax returns are subject to review and correction by the tax authorities for a period generally up to five years subsequent to their filing in Moldova and, consequently, the Moldovan subsidiaries tax returns are subject to such review.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains that Moldovan tax authorities could take differing positions with regard to the interpretation of these issues and the effect could be significant.

The Group has submitted a request for a ruling to the Swiss fiscal authorities in order to clear the potential issue regarding the split of margin and the re-invoicing of interest. The Group is in process of preparation of further documentation requested additionally by Swiss tax authorities and the potential fiscal risk still exist in case of disagreement of the fiscal authorities.

27 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Legal proceedings

During the financial period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Operating Environment

Over recent years, Moldova has undergone substantial political and economic change. Moldova is an emerging market and does not possess the well-developed business infrastructure, which generally exists in a more mature free market economy.

As a result, operations carried out in Moldova are generally riskier than those in developed markets. Uncertainties regarding the political, legal, tax and/or regulatory environment, including the potential for adverse changes in any of these factors could affect the Group's ability to operate commercially. It is not possible to estimate what changes may occur or the resulting effect of any such changes on the Group financial condition or future results of operations. The market in which the Group operates is one with strong competition but the Group is one of the leading companies with the biggest share of the market (more than 50 % of the market capacity). The Group is operating primarily in the Moldovan market as a basis of its acquisition field and all over the world as an export direction (in particular Black Sea and Mediterranean Sea regions).

Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities except following:

- ii. Subsidiary Trans Cargo Terminal SRL has a commitment to restore the land after the lease agreement is expired (agreement between Trans Cargo Terminal SRL and Danube Logistic SRL as a lessor). Total amount of forecasted expenses are USD 95. The lease agreement has a maturity in year 2032.
- iii. Subsidiary Trans Bulk Logistic SRL has a commitment to restore the land after the lease agreement is expired (agreement between Trans Bulk Logistic SRL and Danube Logistic SRL as a lessor). Total amount of forecasted expenses are USD 42. The lease agreement has a maturity in year 2032.

Operating lease commitments

The Group is engaged in an operational lease agreements for the plot of land (25,584 square meters) located under the Giurgiulesti Grain Terminal. The Group is committed to pay until 31 March 2032 an instalment amount minimum of USD 200 per year as a payment for the port services described in the maritime agreement.

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

27 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Operating lease commitments (continued)

The Group is engaged in an operational lease agreements for the agriculture land (311 Hectares) located in South of Moldova. The group is committed to pay in-kind to the owners of farming land in cash equivalent of USD 85 per annum, per hectare, based on the lease agreements concluded with physical persons (total number of agreements is around 300).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>31 December 2018</u>	<u>30 June 2018</u>
Within one year	925	925
Between one and five years	4,825	4,825
After five years	<u>8,859</u>	<u>9,323</u>
	<u><u>14,609</u></u>	<u><u>15,073</u></u>

28 ENTITIES UNDER COMMON CONTROL WHICH ARE NOT CONSOLIDATED

The Group has investment in entities which are not consolidated.

The investment to the entities mentioned above is nil. The net assets of this entity equal to the investment to the subsidiary.

29 GOING CONCERN

The Group expects to continue operating under a going concern basis and to meet its obligations when they become due. Consequently, additional finances are negotiated by the Group as well as the shareholders express their interest to support financially the Group in order to maintain a viable working capital structure.

30 SUBSEQUENT EVENTS

Eurobonds issuance

The Group is seeking to issue Eurobonds by the end of March 2019. The main rationale for the bond issue is to rebalance and optimize Group's capital structure. Thus, one of the main purposes of the bonds will be to refinance the outstanding amount of DFIs, several Moldovan banks and other existing long-term expensive facilities.

Conversion of OakTree Capital Management loan facility into equity

The Group is finalizing negotiations with OakTree Capital Management, which is a creditor to the Group, through its subsidiary Cooperstown S.a.r.l. (Luxembourg) to convert its loan facility into equity. The parties intend to finalize the deal by the end of February 2019.