

**ARAGVI HOLDING
INTERNATIONAL LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 30 JUNE 2021**

**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 Javed Chaudhry

Non-Executive Director

Cem Osmanoglu

Non-Executive Director

Stephane Frappat

Non-Executive Director

Alain Stephane Robert Dorthé

Non-Executive Director

Tommy Gade Jensen

Non-Executive Director

Company Secretary:

Eleni Karra

Independent Auditors:

KPMG Limited

Chartered Accountants
Millenium Lion House,
1 G. Aradippioti Street,
P.O Box 40075,
6016, Larnaca, Cyprus.

Registered Office:

Menandrou 4,
GALA Tower, Floor 2,
1066,
Nicosia, Cyprus.

Registration Number:

HE 308295

ARAGVI HOLDING INTERNATIONAL LIMITED MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

The Board of Directors and management of Aragvi Holding International Limited presents to the members their report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 30 June 2021, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The management is responsible for ensuring that the Company keeps accounting records, which comply with local laws and regulations and also Aragvi Holding International Limited internal regulations and enables it to prepare financial statements in accordance with IFRS adopted by the EU, which disclose fairly, in all material respects, its financial position and results of operations and cash flows in accordance with IFRSs as adopted by the EU. Management also has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The management considers that, in preparing the consolidated financial statements set out on pages 9 to 91, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that, appropriate International Financial Reporting Standards as adopted by the EU have been complied with.

Incorporation

The Company Aragvi Holding International Limited was incorporated in Cyprus on 21 June 2012 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group

The principal activities of the Group, which are unchanged from last year, are:

- Oilseeds processing
- Grains origination and marketing
- Transshipment services

Changes in group structure

In December 2020, the shareholders of the Group acquired VictoriaOil, which is one of Serbia's leading agri-business companies and one of the largest producers and exporters in both Serbia and the region.

As of June 30, 2021, VictoriaOil DOO and SunValley DOO, its immediate parent, have been consolidated within the Group's parameter based on control assumption, which the Group exercised as of 25 June 2021.

Examination of the development, position, and performance of the activities of the Group

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

The most important developments of the Group are:

- Forthcoming commissioning of the crushing facility with a production capacity of 700 MT sunflower seeds per day located in Giurgiulesti Port, expected in December 2021.
- VictoriaOil DOO crushing plant operational and financial consolidation within the Group chain (Note 33).
- Significant profitable growth of the originated and traded volumes of grains.

Revenue

- The Group's revenue for the year ended 30 June 2021 was US\$1,357,252 thousand (2020: US\$814,543 thousand).

Financial Results

- The Group's results for the year are set out on page 11.

Dividends

The Board of Directors does not propose the payment of dividend for the year ended 30 June 2021.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 6 of the consolidated financial statements.

Future developments of the Group

The Board of Directors expects a further development of operations in Serbia via an in-kind contribution of shareholders into the share capital of the Group. Please refer to Note 39 Subsequent events of present consolidated financial statements. Otherwise, the Board of Director does not expect any significant changes or developments in the operations, financial position and performance of the Group in the foreseeable future.

Use of financial instruments by the Group

The Group is exposed to various risks from the financial instruments it holds.

The Group's financial risk management objectives and policies are established to strictly monitor and control all risks faced by the Group while achieving its goals. The most significant risks are disclosed in note 6.

Interest rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. 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.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Credit risk related to trade receivables: this is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Group does not hold collateral as security.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Research and development activities

The Group did not carry out any research and development activities during the year.

Share capital & Treasury shares

The Company did not make any acquisitions of its own shares either itself directly or through a person acting in his own name or on the Company's behalf.

Branches

During the year ended 30 June 2021 the Group did not operate any branches.

Board of Directors

The Company's Board of Directors structure as at 30 June 2021 and at the date of this report is presented on page 1. In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and in the remuneration of the Board of Directors.

Operating Environment of the Group

Any significant events that relate to the operating environment of the Group are described in note 35 to the consolidated financial statements.

Subsequent Events

Any significant events that occurred after the end of the reporting period are described in Note 39 to consolidated financial statements.

Related party balances and transactions

Disclosed in note 32 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, KPMG Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Vaja Jhashi
Bucharest, 25 October 2021



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Chartered Accountants
Millenium Lion House
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

ARAGVI HOLDING INTERNATIONAL LTD

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Aragvi Holding International Ltd (the "Company") and its subsidiaries (the "Group"), which are presented on pages 16 to 90 and comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ARAGVI HOLDING INTERNATIONAL LTD

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit 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 consolidated financial statements or our knowledge obtained in the audit 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.

With regards to the management report, our report in this regard is presented in the "Report on other legal requirements" section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease the group's operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ARAGVI HOLDING INTERNATIONAL LTD

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the management report.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ARAGVI HOLDING INTERNATIONAL LTD

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, 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 read 'Paris S. Elia', written over a horizontal blue line.

Paris S. Elia, BA (Hons), FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
Millennium Lion House
1 G. Aradippioti Street,
6016, Larnaca,
Cyprus

25 October 2021

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
ASSETS			
Non-current assets			
Intangible assets	9	2,129	1,965
Property, plant and equipment	8	363,335	276,270
Goodwill	9	48,688	48,688
Advances given	13	<u>-</u>	<u>1,425</u>
		<u>414,152</u>	<u>328,348</u>
Current assets			
Inventories	11	401,429	271,110
Forward contracts assets	10	114,583	88,321
Trade and other receivables	12	156,910	112,089
Derivative assets	17	917	-
Deferred tax asset	30	950	-
Cash and cash equivalents	15	<u>67,267</u>	<u>60,035</u>
		<u>742,056</u>	<u>531,555</u>
Total assets		<u><u>1,156,208</u></u>	<u><u>859,903</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital and premium	16	20,455	20,455
Retained earnings		300,693	251,644
Fair value reserves		<u>45,567</u>	<u>45,567</u>
		<u>366,715</u>	<u>317,666</u>
NON-CONTROLLING INTEREST		<u>15,338</u>	<u>14,467</u>
Total equity		<u>382,053</u>	<u>332,133</u>

The notes on pages 16 to 90 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	93,133	36,603
Bonds issued	19	434,132	288,778
Bond premium	20	2,394	-
Lease liabilities	14	12,387	12,827
Deferred tax liabilities	30	25,643	23,349
Advances received	-	191	292
Provisions for other liabilities and charges	22	-	341
		<u>567,880</u>	<u>362,190</u>
Current liabilities			
Borrowings	18	136,349	127,646
Trade and other payables	21	35,835	18,932
Forward contract liabilities	10	32,910	18,590
Lease liabilities	14	744	412
Provisions	22	437	-
		<u>206,275</u>	<u>165,580</u>
Total liabilities		<u>774,155</u>	<u>527,770</u>
Total equity and liabilities		<u>1,156,208</u>	<u>859,903</u>

These consolidated financial statements have been approved for issue by the Board of Directors on 25 October 2021 and signed on their behalf by:



Vaja Jhashi
Chief Executive Officer



Alain Stephane Dorthe
On behalf of Board of Directors

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
Revenue	23	1,357,252	814,543
Cost of sales	24	<u>(1,164,350)</u>	<u>(660,178)</u>
Gross profit		192,902	154,365
Other income	28	8,243	1,378
Selling and distribution costs	25	(61,166)	(58,853)
General and administrative expenses	26	(12,641)	(10,559)
Other (losses) - net	27	<u>(4,284)</u>	<u>(2,489)</u>
Operating profit		123,054	83,842
Net finance (costs)	29	<u>(98,611)</u>	<u>(42,214)</u>
Profit before tax		24,443	41,628
Income tax expense	30	<u>(10,535)</u>	<u>(1,994)</u>
Profit for the year		<u>13,908</u>	<u>39,634</u>
Profit attributable to			
Owners of the Company		13,037	39,000
Non-controlling interest		<u>871</u>	<u>634</u>
Profit for the year		<u>13,908</u>	<u>39,634</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment,		-	7,007
Related tax		<u>-</u>	<u>(906)</u>
Other comprehensive income		<u>-</u>	<u>6,101</u>
Total comprehensive income for the year		<u>13,908</u>	<u>45,735</u>
Attributable to:			
- Owners of the Company		13,037	45,101
- Non-controlling interest		<u>871</u>	<u>634</u>
Total comprehensive income for the year		<u>13,908</u>	<u>45,735</u>

The notes on pages 16 to 90 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	Attributable to equity holders of the Company						Non-	Total
	Ordinary	Share	Revaluation	Share	Retained	Total	controlling	Total
	shares	premium	reserves	options	earnings		Interest	Equity
Balance as at 1 July 2019, as reported previously	18	20,437	39,466	-	210,107	270,028	13,833	283,861
Impact of correction of errors	-	-	-	-	2,537	2,537	-	2,537
Restated balance at 1 July 2019	18	20,437	39,466	-	212,644	272,565	13,833	286,398
Total comprehensive income								
Net profit for the year	-	-	-	-	39,000	39,000	634	39,634
Fixed assets revaluation surplus, net of tax	-	-	6,101	-	-	6,101	-	6,101
Total comprehensive income for the year	18	20,437	45,567	-	251,644	317,666	14,467	332,133
Balance as at 30 June 2020	18	20,437	45,567	-	251,644	317,666	14,467	332,133

The notes on pages 16 to 90 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

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

		<u>Attributable to equity holders of the Company</u>							
		Ordinary shares	Share premium	Revaluation reserves	Share options	Retained earnings	Total	Non- controlling Interest	Total Equity
Balance as at 30 June 2020/ 1 July 2020		<u>18</u>	<u>20,437</u>	<u>45,567</u>	<u>-</u>	<u>251,644</u>	<u>317,666</u>	<u>14,467</u>	<u>332,133</u>
Total comprehensive income									
Net profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,037</u>	<u>13,037</u>	<u>871</u>	<u>13,908</u>
Total comprehensive income for the year		<u>18</u>	<u>20,437</u>	<u>45,567</u>	<u>-</u>	<u>264,681</u>	<u>330,703</u>	<u>15,338</u>	<u>346,041</u>
Transactions with owners of the Company									
Fair value adjustment of shareholders' loans	32.3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,061</u>	<u>3,061</u>	<u>-</u>	<u>3,061</u>
Business combinations	33	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,951</u>	<u>32,951</u>	<u>-</u>	<u>32,951</u>
Balance as at 30 June 2021		<u>18</u>	<u>20,437</u>	<u>45,567</u>	<u>-</u>	<u>300,693</u>	<u>366,715</u>	<u>15,338</u>	<u>382,053</u>

The notes on pages 16 to 90 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
Cash flows from operating activities			
Net profit before taxation		24,443	41,628
Adjustments for:			
Movement in allowance for doubtful receivables	25	2,977	676
Depreciation and amortization	24 - 27	13,921	11,675
Fair value gain of forward contracts	10	(682)	(556)
Gains from write off of expired trade payables	28	(135)	(130)
(Gains)/ Loss on disposal of fixed assets	27	(136)	432
Unrealised foreign exchange (gain)/loss net	29	(587)	2,208
Loan interest unwinding	29	211	-
Gain on derecognition of financial liability	29	(5,224)	-
Interest and bank commission expense	29	<u>102,905</u>	<u>40,007</u>
Cash flows from operations before working capital changes		137,693	95,940
Changes in working capital:			
(Increase) in inventories	11	(130,319)	(77,038)
(Increase) in trade and other receivables	12	(44,821)	(33,338)
Increase in trade and other payables	21	<u>16,903</u>	<u>60</u>
Cash used in operating activities		(20,544)	(14,376)
Income tax (paid)		<u>(7,078)</u>	<u>(29)</u>
Net cash (used in)/ operating activities		(27,622)	(14,405)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		913	309
Advances granted for PPE acquisition		(4,315)	(8,060)
Purchases of property, plant and equipment		(13,647)	(13,658)
Business combination, net of cash acquired	33	<u>1,355</u>	<u>-</u>
Net cash used in investing activities		<u>(15,694)</u>	<u>(21,409)</u>

The notes on pages 16 to 90 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

	<u>Note</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
Cash flows from financing activities			
Interest and other finance costs paid		(92,671)	(37,942)
Proceeds from loans and borrowings	18	106,400	139,762
Repayments of loans and borrowings	18	(55,635)	(78,504)
Proceeds from new bond issued 8.45%2027	19	452,439	-
Repayment of bond 12%2024	19 - 20	(341,422)	-
Transactions costs related to bond issued		(16,101)	-
Payments of lease liabilities	5.18	<u>(1,557)</u>	<u>(2,165)</u>
Net cash from financing activities		51,453	21,151
Net increase/ (decrease) in cash and cash equivalents			
		8,137	(14,663)
Effect of exchange rate fluctuations on cash movements		(905)	(586)
Cash and cash equivalents as at 1 July 2020/2019		<u>60,035</u>	<u>75,284</u>
Cash and cash equivalents as at 30 June	15	<u>67,267</u>	<u>60,035</u>

The notes on pages 16 to 90 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(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 and common control transaction. 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 consolidated financial statements of the Group as at and for the year ended 30 June 2021 comprises the Company and its subsidiaries (together refer to as a ‘Group’ and individually as ‘Group entities’) and special purpose entities.

The Group’s principal activities are oilseeds processing, grains and origination and marketing and transshipment services.

The Group’s financial year is from 1 July to 30 June. This set of consolidated financial statements has been prepared for the year ended 30 June 2021.

ARAGVI HOLDING INTERNATIONAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

As of 30 June 2021, 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	Shareholding, %
Visions Holding SA	Holding company	Switzerland	100.00
Stareverest Trading & Investment Limited	Holding company	Cyprus	100.00
Trezeme Limited	Holding company	Cyprus	100.00
Amableus Limited	Holding company	Cyprus	100.00
ICS Kelley Grains Corporation SRL	Holding company	Moldova	100.00
Danube Oil Company SRL	Oils seeds crushing plant	Moldova	100.00
IM Trans Oil Refinery SRL	Oils seeds crushing plant	Moldova	100.00
Floarea Soarelui SA	Oils seeds crushing plant	Moldova	84.66
SC 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.	Moldova	80.00
ICS FFA Trans Oil Ltd SRL	Wholesale grains trading company	Moldova	100.00
TOI Commodities SA	Wholesale grains trading company	Switzerland	100.00
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 Produse Cereale Prut SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	85.79
Elevatorul Iargara SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	89.73
ICS Flograin Group SRL	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
ICS Anengrain - Group SRL	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
ICS Unco-Cereale SRL	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
IM Prut SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	61.93
Molgranum SRL	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00

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1 GENERAL INFORMATION (CONTINUED)

Entity	Principal Activity	Country of in corporation	Shareholding, %
SC Floarea-Soarelui Comert SRL	Dealership of bottled oil	Moldova	100.00
Reniyskiy Elevator ALC	Free trade zone resident. Port grain elevator. Provision of grain forwarding services.	Ukraine	94.77
Reni-Line LLC	Free trade zone resident. Port grain elevator. Provision of grain forwarding services.	Ukraine	66.70
ICS Uleinord SRL	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
Agrofloris-Nord SRL	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
SC Ceba Grup SRL	Special purpose entity. Wholesale grains trading company.	Moldova	100.00
Agrotest-Lab SRL	Provision of laboratory services.	Moldova	100.00
Aragvi Finance International DAC	Special purpose entity. Issuer of the bonds.	Ireland	100.00
Trans-Oil Commodities SRL	Special purpose entity. Wholesale grains trading company.	Moldova	100.00
Global Grain International SRL	Special purpose entity and holding company. Wholesale grains trading company.	Romania	100.00
HeliosAgri International SA	Oils seeds crushing plant.	Romania	100.00
Sun Valley DOO	Special purpose entity	Serbia	100.00
Victoria Oil DOO	Oils seeds crushing plant.	Serbia	100.00

Seasonality of operations

Generally, the Group is not exposed to significant seasonality factors. The 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 early grains and September for crops harvested in autumn).

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

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2 OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The information is obtained from the directors of each subsidiary entity and reviewed by the chief operating decision makers.

Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

The Group presents its segment results within three business segments: Origination and Marketing, Crushing and Refining, and Infrastructure. The reason behind this aggregation is to align representation with the management decision making, as business processes within all business segments are not separate and decisions are mostly made to account for the combined effect on several segments.

In Origination and Marketing, the Group reports its operations of buying and selling cereals, oilseeds, produced oil and meal.

In Crushing and Refining segment, the Group reports the financial results of its 4 crushing plants:

- Floarea Soarelui SA, the biggest crushing plant located in Balti, Republic of Moldova, with crush capacity of 1'200 metric tons of sunflower seeds per day. It also has refining and bottling capacities.
- Trans Oil Refinery SRL, the smaller crushing plant located in Ceadir-Lunga, Republic of Moldova, with crush capacity of 400 metric tons of sunflower seeds per day.
- HeliosAgri International SA, a crushing plant located in Tindarei, Slobozia, Romania, with crush capacity of 650 metric tons of sunflower seeds per day. It also has refining and bottling capacities.
- Victoria Oil DOO, has a technologically advanced plant for bottling and packaging edible oil with a bottling capacity of 300,000 litres per day and a crushing capacity of 1,200 tonnes of sunflower seeds per day.

In Infrastructure segment, the Group reports its forwarding operations through 4 port facilities:

- Trans Cargo Terminal SRL, grain terminal located in Giurgiulesti village, Cahul county, Republic of Moldova, with a transshipment capacity of 1.4 million tons per year;
- Trans Bulk Logistic SRL, oil terminal located in Giurgiulesti village, Cahul county, Republic of Moldova, with a transshipment capacity of 0.2 million tons per year;
- Reni Line LTD, grain terminal located in Reni, Ukraine, with a transshipment capacity of 0.52 million tons per year;
- Reni Elevator LTD, grain terminal located in Reni, Ukraine, with a transshipment capacity of 0.28 million tons per year;

The measurement of profit and loss, assets and liabilities is based on the Group's accounting policies, which are in compliance with IFRS, as adopted by the European Union.

The segment data is calculated as follows:

- Intersegment sales reflect intergroup transactions effected on an arm's length basis.
- Capital expenditure, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to segments when possible.

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2 OPERATING SEGMENTS (CONTINUED)

Key data by operating segment for the year ended 30 June 2020:

	Origination and Marketing	Crushing and Refining	Infrastructure and Other	Total
Revenue (external)	646,535	156,941	22,610	826,086
Intersegment sales	-	-	(11,543)	(11,543)
Total revenue	646,535	156,941	11,067	814,543
Cost of sales	526,221	124,349	9,608	660,178
Gross profit	120,314	32,592	1,459	154,365
Other income	-	-	1,378	1,378
Selling and distribution costs	(55,459)	(12,183)	8,788	(58,854)
General and administrative expenses	(5,985)	(2,775)	(1,799)	(10,559)
Other (losses)– net	(373)	(633)	(1,482)	(2,488)
Finance income (loss)	(37,620)	(4,594)	-	(42,214)
Income tax expenses	(1,777)	(217)	-	(1,994)
Net profit for the year	19,100	12,190	8,344	39,634
Total assets	541,359	212,750	105,794	859,903
Capital expenditure	1,563	13,281	6,874	21,718
Amortization and depreciation	2,659	4,533	4,473	11,665
Liabilities	321,680	128,806	77,284	527,770

During the year ended 30 June 2020, revenues of approximately USD 61,628 thousand are derived from a single external customer. These revenues are attributed to Origination and Marketing and Crushing and Refinery segments. Also, during that period, export sales amounted to 95% of total external sales.

For the year ended 30 June 2020, revenue from the Group's top five customers accounted for approximately 31.4 % of total revenue.

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2 OPERATING SEGMENTS (CONTINUED)

Key data by operating segment for the year ended 30 June 2021:

	Origination and Marketing	Crushing and Refining	Infrastructure and Other	Total
Revenue (external)	1,203,611	147,695	10,066	1,361,372
Intersegment sales	-	-	(4,120)	(4,120)
Total revenue	1,203,611	147,695	5,946	1,357,252
Cost of sales	1,042,401	114,467	7,482	1,164,350
Gross profit	161,210	33,228	(1,536)	192,902
Other income	7,088	-	1,155	8,243
Selling and distribution costs	(57,680)	(6,731)	3,245	(61,166)
General and administrative expenses	(8,595)	(2,948)	(1,098)	(12,641)
Other (losses) – net	(456)	(776)	(3,052)	(4,284)
Finance income (loss)	(88,106)	(10,505)	-	(98,611)
Income tax expenses	(9,389)	(1,146)	-	(10,535)
Net profit/ (loss) for the year	4,072	11,122	(1,286)	13,908
Total assets	798,480	274,805	82,923	1,156,208
Capital expenditure	256	23,487	438	24,181
Amortization and depreciation	4,017	3,957	5,713	13,687
Liabilities	444,066	284,377	45,712	774,155

During the year ended 30 June 2021, revenues of approximately USD 177,438 thousand are derived from a single external customer. These revenues are attributed to Origination and Marketing and Crushing and Refinery segments. Also, during that period, export sales amounted to 98.5% of total external sales.

For the year ended 30 June 2021, revenue from the Group's top five customers accounted for approximately 31.4 % of total revenue.

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3 OPERATING SEGMENTS (CONTINUED)

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments:

For the year ended 30 June 2020	Origination and Marketing	Crushing and Refining	Infrastructure and Other	Total
Primary geographical markets				
European Union	163,776	121,381	-	285,157
Turkey	144,794	17,324	-	162,118
Black Sea Area	32,987	-	-	32,987
Middle East and North Africa (MENA)	206,940	9,033	-	215,973
Asia	9,970	-	-	9,970
Republic of Moldova	13,854	11,991	11,067	36,912
Other countries	71,426	-	-	71,426
	643,747	159,729	11,067	814,543
Major products				
Grains and seeds	617,466	-	-	617,466
Vegetable oil	23,206	114,626	-	137,832
Oil meal	3,075	35,042	-	38,117
Packed vegetable oil	-	10,061	-	10,061
Port, Storage, Cleaning and Drying Services	-	-	5,235	5,235
Other products	-	-	5,832	5,832
	643,747	159,729	11,067	814,543
Timing of revenue recognition				
Products transferred at a point in time	643,747	159,729	5,832	809,308
Services transferred over a period of time	-	-	5,235	5,235
Total revenue	643,747	159,729	11,067	814,543

As at 30 June 2021, 82% of the Group's non-current assets are located in Republic of Moldova, 11% in Ukraine and 7% in Romania.

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3 OPERATING SEGMENTS (CONTINUED)

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments:

For the year ended 30 June 2021	Origination and Marketing	Crushing and Refining	Infrastructure and Other	Total
Primary geographical markets				
European Union	148,132	133,131	-	218,263
Turkey	185,263	5,949	-	191,212
Black Sea Area	10,108	-	-	10,108
Middle East and North Africa (MENA)	757,947	10,182	-	768,129
Asia	40,660	-	-	40,660
Republic of Moldova	-	13,887	6,153	20,040
Other countries	45,840	-	-	45,840
	1,187,950	163,149	6,153	1,357,252
Major products				
Grains and seeds	863,885	-	-	863,885
Vegetable oil	92,431	120,447	-	212,878
Oil meal	231,633	20,973	-	252,607
Packed vegetable oil	-	21,729	-	21,729
Port, Storage, Cleaning and Drying Services	-	-	2,244	2,244
Other products	-	-	3,909	3,909
	1,187,949	163,149	6,153	1,357,252
Timing of revenue recognition				
Products transferred at a point in time	1,187,949	163,149	3,696	1,355,007
Services transferred over a period of time	-	-	2,244	2,244
Total revenue	1,187,949	163,149	5,940	1,357,252

As of 30 June 2021, 65 % of Group's non-current assets are located in Republic of Moldova, 22% in Serbia, 8% in Ukraine and 5% in Romania.

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4 NUMBER OF EMPLOYEES

At 30 June 2021 the Group average number of employees was 2,179 employees (30 June 2020: 1,985).

5 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods disclosed in these consolidated financial statements unless otherwise stated. These consolidated financial statements were prepared for the year ended 30 June 2021. The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment, inventories, forward contracts and derivative instruments which are measured at fair value.

5.1 Basis of preparation

Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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

Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements are based on Statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRSs.

Profit and Loss and cash flow statements

The Group presents the statement of profit and loss and other 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 profit and loss and the cash flow statements are presented for the year ended 30 June 2021.

Adoption of new and revised IFRSs

The Group has adopted all new and revised IFRS standards that became effective for annual periods beginning on or after 1 July 2020, the material changes are as follows:

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that affirms, information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements.

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

Adoption of new and revised IFRSs (continued)

Standards and Interpretations Issued but not Effective

Amendments to IFRS 3 Definition of a Business

The amendments in the definition of business clarify that to be considered a business an acquired set of activities and assets must include, at minimum, an input and substantive process that contribute to the ability to create outputs. IFRS 3 removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments did not have a material impact on the consolidated financial position or performance of the Group in the Group's consolidated financial statements.

At the date of authorization of these consolidated financial statements, the following standards, and interpretations, as well as amendments to the standards had been issued but were not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual Improvements to IFRS Standards 2018–2020 (IFRS 1, IFRS 9, IFRS 16, IAS 41)	1 January 2022
Amendment to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendment to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendment to IFRS 3: Reference to the Conceptual Framework	1 January 2022
IFRS 1, IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendment to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

For other standards and interpretations, management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods

5.2 Functional and presentation currency

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.

These consolidated financial statements are presented in US Dollar (in thousands), which is the Company's functional currency. All amounts have been rounded to the nearest thousand.

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Other currencies in which entities operate are Moldovan Lei (MDL), Swiss Franc (CHF), Euro (EUR), Ukrainian Hrivnea (UAH), Romanian Lei (RON), Serbian dinar (RSD) which are considered as foreign currencies.

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

5.2 Functional and presentation currency (continued)

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.

The exchange rates used in the preparation of the consolidated financial statements were the official exchange rates as quoted by the National Bank of Moldova and are as follows: USD 1 = 17.9755 MDL (30 June 2020: 17.2276) and Euro ("EUR"), EUR 1 = 21.3989 MDL (30 June 2020: 19.4440), USD1 = 0.8400EUR (30 June 2020: 0.8860); USD 1 = 0.9209 CHF (30 June 2020: 0.9443), EUR 1 = 1.0963 CHF (30 June 2020: 1.1287), RON 1 = 0.2416 USD (30 June 2020: 0.2330); RSD 100 = 1.0126 USD.

5.3 Going concern

These consolidated financial statements have been prepared based on the going concern principle, which assumes that the Group will continue to operate in the foreseeable future and realise its assets and dispense its liabilities in the normal course of business. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows and management's ability to perform the forecasts. 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.

5.4 Basis of consolidation

The 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. year ended 30 June, using consistent accounting policies.

Intra group balances, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements.

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 period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal.

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.

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

5.4 Basis of consolidation (continued)

Special purpose entities are consolidated based on the assessment 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.

The Group controls several entities that are not consolidated within these financial statements. The main reason is immateriality of these entities for these financial statements.

Following entities are not consolidated:

Entity	Principal Activity	Country of in corporation	Shareholding,%
Seagull Operations International BV	Holding company	The Netherlands	100.00
TD Mediana LTD	Holding company	Ukraine	100.00
PVD Trade LTD	Holding company	Ukraine	100.00
Intreprinderea de Transport Nr 7 SA OR BALTI	Dormant company	Republic of Moldova	86.49
Boebs-Agro SRL	Dormant company	Republic of Moldova	90.00
SC Floarea Agrotrans-Service SRL*	Dormant company	Republic of Moldova	100.00
OVMK Holding Limited	Holding company	Cyprus	100.00
Nelway Limited	Dormant company	Cyprus	100.00

*SC Floarea Agrotrans-Service SRL has been liquidated during the financial year 2021.

5.5 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 acquisition, the difference is recognised in profit and loss as a gain on bargain purchase.

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

5.5 Business Combinations (continued)

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.

5.6 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.

5.7 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.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to profit and loss.

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.

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

5.7 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 - 80
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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted appropriately.

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. 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. 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. All items of Property, Plant and Equipment are carried at fair value.

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.

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.

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

5.7 Property, plant and equipment (continued)

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.

Land and buildings under development

The cost of land and buildings under development and completed buildings for sale comprise the cost of acquiring the land and the development costs of the buildings. The development cost of the buildings includes raw materials, direct labour cost, depreciation of plant and equipment and other indirect costs of construction.

The land for development is carried at fair value and is included in land and buildings under development at the reporting date.

5.8 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.

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

5.8 Intangible assets (continued)

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.

5.9 Financial instruments

Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive income (FVOCI) - debt investment; Fair Value through Other Comprehensive income (FVOCI) - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

5.9 Financial instruments (continued)

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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

5.9 Financial instruments (continued)

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

5.9 Financial instruments (continued)

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and cash in hand. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Borrowings (including Bonds)

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.

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

5.9 Financial instruments (continued)

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.

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

Financial assets - impairment - credit loss allowance for ECL

From 1 July 2018, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

For all other financial assets that are subject to impairment under IFRS 9, the Group applies general approach - three stage model for impairment. The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 5.1, Credit risk section, for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and advances given from initial recognition. It will estimate credit losses using a provision matrix where trade receivables and advances granted are grouped based on credit risk characteristics and the days past due.

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

5.9 Financial instruments (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

According to the ageing management allocated the receivables to the following categories:

- overdue up to 30 days
- overdue 30-90 days
- overdue 91-180 days
- overdue 181-360 days
- overdue 360+ days

The management considered the last three years in determining past performance profile. The loss rates are calculated as the proportion of the receivables that are past due more than 360 days to the rest of the categories. Subsequently the ECL is calculated by allocating the loss rates, calculated on past performance and adjusted for forward looking estimates, to each of the above ageing categories as of each reporting date.

For trade receivables, unusual or increasingly delayed payments, increase in average credit period taken or known financial difficulties of a customer, in addition to observable changes in national or local economic conditions in the country of the customer, are considered indicators that the trade receivable balance may be impaired. The carrying amount of the asset is reduced through the use of a loss allowance account and the amount of the loss is recognized in the Consolidated Profit or Loss. When a trade receivable is uncollectable, it is written off against the loss allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'other external charges' in the Consolidated Profit or Loss.

Write off:

Trade receivables are written off when there is no reasonable expectation of recovery.

Financial guarantee contracts

Financial guarantee contracts are contracts that require a Group company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor – another Group company might fail to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, and financial institutions to secure loans, overdrafts and other banking facilities. The Group does not issue financial guarantees for the benefit of third parties.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee in other income in profit or loss.

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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

5.9 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 is 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.

5.10 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.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. Hedging activities have not significantly affected or are expected to affect the amount, timing and certainty of its future cash flows, nor on the Group's statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity.

5.11 Inventories

Inventories held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the income statement. Cost is determined on weighted average method and comprises direct purchase costs, cost of production, transportation and overhead expenses. Net realizable value is determined by reference to prices existing at the balance sheet date, adjusted where the sale of inventories after the reporting period gives evidence about their net realizable value at the end of the period.

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

5.11 Inventories (continued)

Management considers this valuation method enhances the understanding of users of these consolidated financial statements.

Other inventories are valued at the lower of cost or net realisable value. Cost is determined using the weighted average method and comprises purchase value, labour costs, transportation services and drying, cleaning and processing services, where needed.

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

Supplies are valued at the lower of cost on a weighted average basis and net realizable value.

Work in progress is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of work in progress includes materials, labour and direct expenses plus attributable overheads based on a normal level of activity.

5.12 Non-current liabilities

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

5.13 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.

5.14 Revenue

Recognition and measurement

Revenue is derived principally from the sale of goods, finished products and rendering services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

5.14 Revenue (continued)

Recognition and measurement (continued)

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

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. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

The Group's revenue is recognized at the moment when the transfer of the significant risks and rewards of ownership of an asset to the customer occur; in general this moment coincides with the fulfilment of performance obligations as defined by standard.

IFRS 15 requires allocation of the transaction price to each performance obligation (or distinct good or service) such as freight, insurance, storage, dispatch and other services to deliver the contracted goods to the customers. Under the definite contractual sales the seller should bring the goods to the point of destination therefore the freight and other services meet the criteria of a performance obligation separation from the transaction price.

The Group regularly engages third-party service providers (subcontractors) to provide freight and other services to its customers. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

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

5.14 Revenue (continued)

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. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

The Group's revenue is recognized at the moment when the transfer of the significant risks and rewards of ownership of an asset to the customer occur; in general, this moment coincides with the fulfilment of performance obligations as defined by standard.

IFRS 15 requires allocation of the transaction price to each performance obligation (or distinct good or service) such as freight, insurance, storage, dispatch and other services to deliver the contracted goods to the customers. Under the definite contractual sales, the seller should bring the goods to the point of destination therefore the freight and other services meet the criteria of a performance obligation separation from the transaction price.

The Group regularly engages third-party service providers (subcontractors) to provide freight and other services to its customers. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay.

Identification of performance obligations

The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

The Group recognized its performance obligation as satisfied once the services have been rendered and the ownership right over goods, according to INCOTERMS 2020, passed to the customer. The entire revenue recognized over time is considered as from performance obligations satisfied. This is mainly from the short-term nature of service rendered to the Group's customers, that makes the performance obligation short-lived by nature.

No bill and hold arrangement have been registered for the year ended 30 June 2021.

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

5.14 Revenue (continued)

Sale of goods

The point of revenue recognition for sale commodity goods is dependent upon contract sales terms (Incoterms). A receivable is recognized by the Group when the control over goods is transferred to the buyer as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Timing of billing is generally close to the timing of performance obligation satisfaction, respectively, amount of contract assets and contract liabilities is not material. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay. Also, the Group is responsible for inventory risk during the freight service provision, which in turn, is covered by an insurance policy.

Rendering of services

Revenue is recognized over the period of time as the service is rendered. The main type of services provided by the Group are transshipment services by terminals and crop cleaning, drying and storage services by the Group's silos. Revenue from transshipment services is recognized using input methods based on a time-and-materials basis as the services are provided. Revenue from grain cleaning, drying and storage services is recognized on an accrual basis, based on the fees for the specific service, volumes of crops under service and days of storage. Invoices are generated shortly after the end of the month for which the services have been rendered. Invoices are usually payable within 15 days.

Rental income

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

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Financing component

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

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

5.14 Revenue (continued)

Contract assets and contract liabilities

In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered, a contract asset is recognised. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Costs to obtain or fulfil contracts with customers

The Group recognizes the incremental costs incurred by the Group to obtain contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable, and recorded in the "Other assets" in the consolidated statement of financial position. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with customer that would not have been incurred if the contract had not been obtained. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue and recognised in "cost of sales" in consolidated statement of profit or loss and other comprehensive income. Additionally, the asset is assessed for impairment and any impairment loss is recognized in "cost of sales" in consolidated statement of profit or loss and other comprehensive income.

The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

5.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss 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, Ukraine, Swiss Confederation, Romania, Serbia 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.

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

5.15 Current and deferred income tax (continued)

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.

5.16 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.

5.17 Leases

The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

5.17 Leases (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" line and lease liabilities in "Lease liabilities" line of statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial impact of application of IFRS 16

The Group has several non-cancellable lease agreements in Giurgiulesti Free Economic Zone, where the Group's port facilities are located. Based on the Group's assessment these arrangements meet the definition of a lease under IFRS 16, and thus, the Group recognises 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 tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current period.

"Property, plant and equipment" comprise owned and leased assets that do not meet the definition of investment property:

	Note	<u>30 June 2021</u>
Property, plant and equipment owned	8	345,577
Right-of-use assets		<u>13,312</u>
		<u>358,889</u>

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

5.17 Leases (continued)

Right-of-use assets

The Group's right-of-use assets include land, port maritime infrastructure and vehicles. Information about leases for which the Group is a lessee is presented below:

	<u>Land</u>	<u>Port infrastructure</u>	<u>Vehicles</u>	<u>Total</u>
Balance at 1 July 2020	5,494	6,922	760	13,176
Additions	193	1,070	440	1,703
Transferred to owned Property, plant and equipment	-	-	(507)	(507)
Depreciation charge for the period	<u>(424)</u>	<u>(417)</u>	<u>(218)</u>	<u>(1,059)</u>
Balance at 30 June 2021	<u><u>5,263</u></u>	<u><u>7,575</u></u>	<u><u>475</u></u>	<u><u>13,313</u></u>

	<u>30 June 2021</u>	<u>30 June 2020</u>
Amounts recognized in profit or loss		
Interest on lease liabilities	1,306	1,335
Depreciation charge on right-of-use assets	1,059	975
Expenses relating to short-term leases	192	640
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	276	398

	<u>30 June 2021</u>	<u>30 June 2020</u>
Amounts recognized in the statement of cash flows		
Total cash outflow for leases	1,557	2,165

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

5.18 Pension costs and employee benefits

The Group, in the normal course of business, makes payments to the governments on behalf of its employees. There are no any other pension benefits except of mandatory employer's contributions levied to the governments.

Retirement and other benefit obligations

Social security contributions are payable in Moldova in the form of mandatory insurance contributions to the Social Security Fund and Health Insurance Fund for each employee (personified contributions), as well as via contributions for mandatory social insurance against occupational accidents and diseases.

Insurance contributions are payable on remuneration and other payments to individuals under employment and civil contracts.

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

5.18 Pension costs and employee benefits (continued)

Retirement and other benefit obligations (continued)

For 2021, personified contributions are payable at the rates provided in the table below subject to an annual remuneration threshold established for contributions to the Social Security Fund. The threshold is subject to annual revision by Moldovan government.

Income subject to social contributions	Social Insurance	Health Insurance
Up to remuneration	18%	4,5%

Employees pay an individual contribution in the amount of 6% of their gross salary and other recompense in the Social Security Fund and an amount of 4,5% of their gross salary in Health Insurance Fund.

5.19 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.

5.20 Subsequent events

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

5.21 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.

5.22 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. During the year ended 30 June 2021, the Group has capitalised borrowing costs in amount of 1.979 thousand USD (2020: 1.524 thousand USD), at a capitalisation rate of 8.11% (2020:9.7%)

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.

5.23 Comparatives

Comparative information is disclosed in respect of the previous period for all numerical information in the 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.

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6 FINANCIAL RISK MANAGEMENT

6.1 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, liquidity risk and compliance 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 uses 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, and currency, both 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. There is no material risk generated by transactions in Romanian Leu, Ukrainian Hryvna and Swiss Frank.

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 18. The Group has not entered into any hedging arrangements in respect of its interest rate exposures. Interest bearing assets and liabilities, broken down by variable and fixed interest rates are presented below:

	30 June 2021		30 June 2020	
	Variable	Fixed	Variable	Fixed
Assets	583	-	18,000	-
Liabilities	(210,511)	(444,661)	(150,180)	(288,778)

The Group entered into several derivative financial instruments to manage its exposure to commodity price and foreign exchange risk.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

a) Market risk (continued)

(iii) Cash flow interest rate risk

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Derivatives expected to be settled within a year after the end of the reporting period are classified as current liabilities or current assets.

Ineffectiveness is recognized on hedges where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise if the timing of the transaction changes from what was originally estimated, or other differences arise between the designated hedged risk and hedging instrument.

The risk management objective is to hedge commodity price risk exposure arising from the changes mainly in sunflower seeds, corn, soybean and soybean meal market price. In order to comply with its risk management strategy, the Group enters into commodity sales agreements with counterparties matching the highly probable forecasted sale quantity per time bucket in the end destination to hedge the identified commodity price exposure for its future sales at end destination. There is an economic relationship between the hedged items and the hedging instruments as the designated hedged item's and hedging instruments' quantities and timing of the cash flows is matching and there is high correlation in movement of prices for hedged item and hedging instrument.

The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Financial risk factors (continued)

a) Market risk (continued)

(iv) *Cash flow interest rate risk*

During the year ended 30 June 2021, the Group started applying cash flow hedge accounting for its forecasted sunflower seeds, corn, soybean and soybean meal highly probable sales at end destination and designated sunflower seeds, corn, soybean and soybean meal derivative contracts as hedging instruments in cash flow hedge relationship, hedging the sunflower seeds, corn, soybean and soybean meal commodity price risk for the future cash flows. For the year ended 30 June 2021, gain resulted from change in fair value of hedging instruments under cash flow hedge accounting was USD 917 thousand (Note 17). The fair value of expired commodity price contract is recorded in Cost of sales when the hedged item is recorded in Revenue.

i. *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro (EUR). The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Group's exposure to foreign currency risk was as follows:

30 June 2021

In thousands of US Dollars	EUR
	€
<u>Assets</u>	
Trade and other receivables	82,607
Cash and cash equivalents	<u>12,835</u>
	<u>95,442</u>
<u>Liabilities</u>	
Trade and other payables	(12,036)
Borrowings	<u>(139,512)</u>
	<u>(151,548)</u>
Net exposure	<u><u>(56,106)</u></u>

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against USD at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect	Profit before tax	
	Strengthening	Weakening
EUR (10% movement)	5,611	(5,611)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

ii. 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 and advances given. 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.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who have a variety of end markets in which they sell. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Group's trade receivables.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

ii. Credit risk (continued)

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

In thousands of US Dollars	30 June 2021	30 June 2020
Trade and other receivables	156,910	112,089
Advances given	-	1,425
Cash and cash equivalents	<u>67,267</u>	<u>60,035</u>
	<u><u>224,177</u></u>	<u><u>173,549</u></u>

Impairment losses on financial assets and contract assets recognized in profit or loss were related to impairment losses on trade and other receivables.

Trade receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the management.

The Group does not require collateral in respect of trade and other receivables. The group does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

The Group uses an allowance matrix to estimate lifetime ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - sales channel, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 30 June 2021:

In thousands of US Dollars	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit- impaired
1-30 days due	0.29%	142,752	(409)	Yes
30-90 days due	12.15%	6,445	(783)	Yes
91-180 days due	24.78%	6,608	(1,637)	Yes
181-360 days due	52.47%	1,152	(605)	Yes
More than 360 days due	100.00%	<u>3,646</u>	<u>(3,646)</u>	Yes
		<u><u>160,603</u></u>	<u><u>(7,080)</u></u>	

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 30 June 2020:

In thousands of US Dollars	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit- impaired
1-30 days due	0,28%	76,774	(214)	Yes
30-90 days due	5,44%	27,241	(1,483)	Yes
91-180 days due	13,02%	5,691	(741)	Yes
181-360 days due	39,28%	970	(381)	Yes
More than 360 days due	100,00%	<u>1,567</u>	<u>(1,568)</u>	Yes
		<u>112,243</u>	<u>(4,387)</u>	

iii. 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 finance 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.

30 June 2021	<u>Less than 1 month</u>	<u>Between 1 and 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Trade and other payables	19,856	9,582	4,483	1,914	35,835
Bonds issued	-	-	-	434,132	434,132
Borrowings	32,919	76,917	28,226	91,420	229,482
Lease liabilities	<u>63</u>	<u>186</u>	<u>496</u>	<u>12,387</u>	<u>13,132</u>
Total	<u>52,838</u>	<u>86,685</u>	<u>33,205</u>	<u>539,853</u>	<u>712,581</u>
	<u>Less than 1 month</u>	<u>Between 1 and 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
30 June 2020					
Trade and other payables	8,992	5,970	2,406	1,564	18,932
Bonds issued	-	-	-	288,778	288,778
Borrowings	-	40,646	87,000	36,603	164,249
Lease liabilities	<u>34</u>	<u>103</u>	<u>275</u>	<u>12,827</u>	<u>13,239</u>
Total	<u>9,026</u>	<u>46,719</u>	<u>89,681</u>	<u>339,772</u>	<u>485,198</u>

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Capital risk management

e) 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 34.

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 Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing return to shareholders through a combination of debt and equity capital. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and risks associated with each class of capital. Based on recommendations from management, the Group balances its overall capital structure through the issue of new debt or the redemption of existing debt.

The Group monitors capital based on the carrying amount of borrowings less cash and cash equivalents as presented in the statement of financial position. The Group is not subject to any externally imposed capital requirements.

The gearing ratio as at 30 June 2021 and 30 June 2020 was as follows:

	<u>30 June 2021</u>	<u>30 June 2020</u>
Total borrowings (Notes 18 and 19)	666,008	453,027
Less: cash and cash equivalents (Note 15)	<u>(67,267)</u>	<u>(60,035)</u>
Net debt	598,741	392,992
Total equity	<u>382,053</u>	<u>332,133</u>
Total capital	<u>980,794</u>	<u>725,125</u>
Gearing ratio	<u>61%</u>	<u>54%</u>

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 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.

Level 1 classification primarily includes 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 30 June 2021 and 30 June 2020:

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (continued)

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their fair levels in fair value hierarchy:

		Carrying amounts				
30-June-21	Note	Fair value - Property plant and equipment, Inventory and Forward contracts, Derivative financial instruments	Other financial liabilities	Level 1	Level 2	Level 3
Non-financial assets						
Property, plant and equipment	8	363,335	-	-	-	363,335
Total		363,335	-	-	-	363,335
30-Jun-20						
Non-financial assets						
Property, plant and equipment	8	276,270	-	-	-	276,270
Total		276,270	-	-	-	276,270
30-June-21						
Financial Assets						
Inventories	11	401,429	-	-	401,429	-
Forward Contracts	10	114,583	-	-	114,583	-
Total		516,012	-	-	516,012	-
30-June-20						
Financial Assets						
Inventories	11	271,110	-	-	271,110	-
Forward Contracts	10	88,321	-	-	88,321	-
Total		359,431	-	-	359,431	-

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (continued)

		Carrying amounts				
30-June-21		Fair value - Property plant and equipment, Inventory and Forward contracts, Derivative financial instruments	Other financial liabilities	Level 1	Level 2	Level 3
Financial liabilities						
Borrowings	18	-	229,482	-	-	229,482
Forward Contracts	10	32,910	-	-	32,910	-
Total		32,910	229,482	-	32,910	229,482
30-June-20						
Financial liabilities						
Forward Contracts	10	18,590	-	-	18,590	-
Borrowings	18	-	164,249	-	-	164,249
Total		18,590	164,249	-	18,590	164,249

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value for financial assets and liabilities in statement of financial position, as well the significant unobservable inputs used:

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Inventory & Forward contracts	<u>Market comparison technique</u> : The fair value is determined using observable quoted prices sourced from traded reference indices in active markets for identical commodities, taking into consideration geographic location and local supply and demand.	Quoted prices for commodities	The estimated fair value will increase(decrease) if: -quoted prices for commodities were higher (lower).
Derivative liabilities – Forward exchange contracts	<u>Forward pricing</u> : The fair value is determined using quoted forward exchange rates at the reporting date	Not applicable	Not applicable

7 USE OF ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, assumptions and estimation uncertainties

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 14 – Leases

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 30 – Income taxes
- Note 8 – Property, plant and equipment
- Note 12 – measurement of ECL allowance on trade and other receivable
- Note 34 – Contingencies

7 **USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)**

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The fair value of property, plant and equipment was determined by external registered independent appraiser, having appropriate recognized professional qualifications.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included below and in the notes.

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

7 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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 differs from their fair value.

As at 24 April 2020, the group performed an external 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 276,270 thousand USD.

Valuation of Property, Plant and Equipment has been undertaken using Discounted Cash Flows method, where Group's assets have been assessed as being standalone cash generating units.

Significant assumptions were made relating to projected cash flows, raw materials costs, utilities costs and ROI as described in note 7 of the financial statements.

These assumptions were mainly based on historical data as well as management forecasts on sales, volumes of crushed seeds and other assumptions.

Judgements, assumptions and estimation uncertainties

As at June 2021, 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 (EBITDA) for the 12 months periods ending 30 June 2022 until 30 June 2025 are projected not to be lower than USD 129,627, USD 130,875, USD 131,154 and USD 130,755 respectively. In order to sustain the valuation of Property, Plant and Equipment, the Group has to perform according to the EBITDA projections mentioned above. For the year ended 30 June 2020, Group realized an EBITDA of USD 136,741, which is well above the projected USD 110,742. There is no any impact over the value of Property, Plant and Equipment out of this outperformance.

- EBITDA is defined for any reporting period as profit before income tax (excluding results from discontinued operations) adding back any interest, commission and other finance income or expenses, depreciation or impairment of assets, and eliminating one-off and non-operating gains included in EBITDA.

- 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.

7 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements, assumptions and estimation uncertainties (continued)

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.

d. Impairment of financial assets

The Group reviews its financial assets 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 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 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.

7 **USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)**

Judgements, assumptions and estimation uncertainties (continued)

g. Judgements, assumptions and estimation uncertainties. 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 30 June 2021 amounted to USD 48,688 (30 June 2020: USD 48,688). No impairment loss was recognised for the financial years ended 30 June 2021 and 30 June 2020.

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. The depreciation policy applied is in line with 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.

k. Fair value of Forward Contracts

The fair value of forward contracts has been identified as at 30 June 2021, using the available and observable market reference prices as at that date. The realization of these forward contracts is executed at the very close prices to the ones used for the valuation of these forward contracts. There is no any material difference between the fair value identified as at 30 June 2021 and the value at which these contracts are realized.

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8 PROPERTY, PLANT AND EQUIPMENT

	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 2019					
Net book value	126,613	106,303	11,542	1,404	245,862
Net book amount	<u>126,613</u>	<u>106,303</u>	<u>11,542</u>	<u>1,404</u>	<u>245,862</u>
Year ended 30 June 2020					
Opening net book amount	126,613	106,303	11,542	1,404	245,862
Additions	2,678	406	54	18,579	21,717
Disposals	(21)	(381)	(307)	(84)	(793)
Transfers	933	2,576	6,801	(10,310)	-
Right-of-use assets (IFRS 16 impact)	5,914	7,339	899	-	14,152
Depreciation charge	(7,686)	(3,427)	(562)	-	(11,675)
Fair value reserve	<u>6,080</u>	<u>879</u>	<u>48</u>	<u>-</u>	<u>7,007</u>
Closing net book amount	<u><u>134,511</u></u>	<u><u>113,695</u></u>	<u><u>18,475</u></u>	<u><u>9,589</u></u>	<u><u>276,270</u></u>

During the financial year 2021, the Group has capitalized borrowing cost in amount of 1.978 thousand USD, calculated using a capitalization rate of 7.45%.

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8 PROPERTY, PLANT AND EQUIPMENT

	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 2020					
Net book value	134,511	113,695	18,475	9,589	276,270
Net book amount	<u>134,511</u>	<u>113,695</u>	<u>18,475</u>	<u>9,589</u>	<u>276,270</u>
Year ended 30 June 2021					
Opening net book amount	134,511	113,695	18,475	9,589	276,270
Additions	345	218	110	21,573	22,246
Disposals	(291)	(147)	(1,159)	(242)	(1,839)
Transfers	547	453	282	(1,282)	-
Reclassification of advances given to Right-of-use asset	1,935	-	-	-	1,935
Acquisitions through business combinations	42,536	33,664	1,428	962	78,590
Depreciation charge	<u>(9,129)</u>	<u>(4,070)</u>	<u>(668)</u>	<u>-</u>	<u>(13,867)</u>
Closing net book amount	<u><u>170,454</u></u>	<u><u>143,813</u></u>	<u><u>18,468</u></u>	<u><u>30,600</u></u>	<u><u>363,335</u></u>

During the financial year 2020, the Group has capitalized borrowing cost in amount of 1.311 thousand USD, calculated using a capitalization rate of 9.77%

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The property, plant and equipment were re-valued on 24 April 2020.

The revaluation was performed in accordance with International Valuation Standards by external, registered and independent valuers, 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 “price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market-based evidence, discounted cash flows or depreciated replacement cost is used to determine fair value. Management reviews the key inputs, assesses valuation movements and holds discussions with the valuers as part of the process.

The fair value measurement for all the property, plant and equipment has been recognised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 6)

The composition of the main assets were revalued as follows:

Name & Location	Fair value 30 June 2020*
Trans Cargo - Giurgiulesti	45,500
Trans Bulk - Giurgiulesti	7,950
Elevator Anengrain - Anenii Noi	2,275
Trans-Oil Refinery - Ceadir Lunga	29,650
Elevator Prut - Cantemir	3,183
Elevator Flograin - Floresti	1,360
Elevator Unco Cereale - Unchitesti	3,045
Elevator AgroFloris Nord - Rogojeni	2,090
Floarea Soarelui - Balti	55,670
Elevator Ulei Nord - Otaci	6,157
Exchange points	3,840
Elevator Kelly Grains 1+2 Causeni	21,520
Elevator Molgranum - Donduseni	4,121
Elevator Cereale Prut - Ungheni	5,826
Aur Alb - Ceadir Lunga	5,665
Elevator Iargara - Iargara	5,245
Elevator Molgranum - Greceni	4,918
Reniyskiy Elevator – Reni	20,750
Reni-Line – Reni	9,770
FFA Trans Oil – Chisinau offices	3,466
175 railcars -Trans Oil Commodities & Agrofloris Nord	7,350
Global Grain International -Romania	3,044
Helios Agri International – Romania	15,160
Danube Oil Company – Giurgiulesti	8,618
Other	<u>97</u>
	<u>276,270</u>

*As per the revaluations performed 24 April 2020.

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in fair value of land, buildings, machinery used in production, computer hardware and furniture and fittings as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Crushing, storage and port facilities	<i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows to be generated from properties taking into account net annual revenues and costs to be generated by the facility over a period of 5 years, budgeted capital expenditure and terminal value. The expected cash flows were discounted using risk-adjusted discount rates.	<ul style="list-style-type: none"> - Expected annual revenues and costs - Budgeted capital expenditure - Terminal value - Risk-adjusted discount rates 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> - expected annual revenues were higher (lower); - expected annual costs were lower (higher); - budgeted capital expenditure were lower (higher) - terminal value were higher (lower) - risk-adjusted discount rate were lower (higher).
Chisinau Offices owned by FFA Trans Oil SRL	<i>Direct capitalization:</i> Direct capitalization is the method utilized to convert a single year's estimate of income into a value indication. The capitalization is performed by use of an overall rate, or capitalization rate.	<ul style="list-style-type: none"> - Average monthly rent - Assumed vacancy rate - Annual expenses and loss - Capitalization rate 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> - average monthly rent were higher (lower); - assumed vacancy rate were lower (higher); - annual expenses and loss were lower (higher); - capitalization rate were lower (higher)
75 Cereal Railway Wagons owned by Agrofloris Nord SRL and 100 Cereal Railway Wagons owned by Trans Oil Commodities SRL	<i>Depreciated Replacement Cost:</i> The valuation model considers how much it would cost to reproduce an asset of equivalent utility taking into account physical, functional and economic obsolescence. It estimates the replacement cost of the required capacity rather than the actual asset.	<ul style="list-style-type: none"> - Physical deterioration - Functional and economic obsolescence 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> - Physical deterioration were lower (higher); - Functional and economic obsolescence were lower (higher);

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The property, plant and equipment of the Group have been revalued in 2020 by an external and qualified valuator Winterhill Romania SRL. The Group has not valued the assets of Kelley Grains Corporation and TOI Commodities as these assets are clearly immaterial. The Group did not value the assets of Danube Oil Company because the main assets of the company are work-in-progress equipment and construction works for a new crushing facility in Giurgiulesti port, with a capacity of 700 MT of sunflower seeds per day.

In this regard, as of June 30, 2021, the main advance payments for property, plant and equipment were as follows:

- Sunflower cake and hull storage – USD 510 thousand;
- Pressing line – USD 374 thousand;
- Electric and automation system– USD 178 thousand;
- Laboratory equipment - USD 48 thousand;
- Sunflower cake and hull pellet mill - USD 42 thousand;
- Conveying equipment – USD 26 thousand.

As of June 30, 2021 the following equipment has been delivered and are under installation process:

- Pressing line – USD 5,629 thousand;
- Cleaning and dehulling line - USD 1,084 thousand;
- Biomass boiler house – USD 3,995 thousand ;
- Sunflower hulls and cake pelletizing lines - USD 1,194 thousand;
- Oil storage - USD 684 thousand;
- Sunflower cake and hull storage - USD 728 thousand;
- Sunflower seed storage - USD 805 thousand;
- Conveying equipment - USD 1,983 thousand;
- Automation and power equipment - USD 368 thousand;
- Construction site works - USD 5,468 thousand ;
- Metal constructions – USD 1,874 thousand ;

Total project cost is expected to be USD 36,000 thousand and commissioned until December 2021.

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:
 - b. crushing segment – 44%;
 - c. trading segment – 39%
 - d. refining and bottling segments – 10%;
 - e. 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%.

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 constructio n</u>	<u>Total</u>
As at 30 June 2021					
Cost	52,710	55,623	6,599	38,850	153,782
Accumulated depreciation	<u>(18,282)</u>	<u>(29,312)</u>	<u>(1,111)</u>	-	<u>(48,705)</u>
Net book amount	<u>34,428</u>	<u>26,311</u>	<u>5,488</u>	<u>38,850</u>	<u>105,077</u>
As at 30 June 2020					
Cost	51,790	54,163	7,595	20,030	133,578
Accumulated depreciation	<u>(15,815)</u>	<u>(25,357)</u>	<u>(961)</u>	-	<u>(42,133)</u>
Net book amount	<u>35,975</u>	<u>28,806</u>	<u>6,634</u>	<u>20,030</u>	<u>91,445</u>

At 30 June 2021, property, plant and equipment with a carrying amount of USD 212,678 thousand (2020: 213,076 thousand) were pledged to Noteholders (see Note 19).

The property, plant and equipment of VictoriaOil DOO have been presented at fair value and not included in the table above. The valuation was performed by an external valuator SGS Serbia, Member of the SGS Group (Société Générale de Surveillance).

The valuation technique used is the fair value of land, buildings, machinery used in the production of Victoria Oil DOO is as follows:

- The basis of the immovable property is a fair value obtained by a combination of a market and cost approaches.
- The basis for the valuation of Land is the Market approach and comparable valuation methodology.
- The basis for the valuation of buildings, infrastructure and machinery and equipment, which are considered to have a restricted and specialised use (i.e. buildings, infrastructure and specialised equipment/machineries) is the cost approach and Depreciated Replacement Cost (“DRC”) valuation methodology.
- The basis for the valuation of other assets that are considered to have unlimited alternative use (i.e. vehicles and logistic equipment) is the market approach and comparable valuation methodology.

The management of the Group believes that the net carrying amount of Property, Plant and equipment as at 30 June 2021 represents the fair value and it is not materially different from the fair value as it was estimated by the external valutors.

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9 INTANGIBLE ASSETS AND GOODWILL

	<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 2019						
Cost	48,688	1,791	380	24	74	50,957
Accumulated amortisation	-	(32)	(186)	(10)	(18)	(246)
Net book amount	<u>48,688</u>	<u>1,759</u>	<u>194</u>	<u>14</u>	<u>56</u>	<u>50,671</u>
Year ended 30 June 2020						
Opening net book amount						
	48,688	1,759	194	14	56	50,711
Additions due to acquisition	-	4	11	1	13	29
Disposals	-	-	-	-	(16)	(16)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Amortisation for the year	-	(1)	(70)	-	-	(71)
Closing net book amount	<u>48,688</u>	<u>1,762</u>	<u>135</u>	<u>15</u>	<u>53</u>	<u>50,653</u>
As at 30 June 2020						
Cost	48,688	1,795	391	25	87	50,986
Accumulated amortisation	-	(33)	(256)	(10)	(34)	(333)
Net book amount	<u>48,688</u>	<u>1,762</u>	<u>135</u>	<u>15</u>	<u>53</u>	<u>50,653</u>
Year-ended 30 June 2021						
Opening net book amount						
	48,688	1,762	135	15	53	50,653
Additions due to acquisition	-	1	24	-	39	64
Additions due to business combinations	-	-	90	14	78	182
Disposals	-	(2)	(15)	-	(11)	(28)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Amortisation for the period	-	(1)	(53)	-	-	(54)
Closing net book amount	<u>48,688</u>	<u>1,760</u>	<u>181</u>	<u>29</u>	<u>159</u>	<u>50,817</u>
As at 30 June 2021						
Cost	48,688	1,794	490	39	193	51,204
Accumulated amortisation	-	(34)	(309)	(10)	(34)	(387)
Net book amount	<u>48,688</u>	<u>1,760</u>	<u>181</u>	<u>29</u>	<u>159</u>	<u>50,817</u>

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9 INTANGIBLE ASSETS AND GOODWILL (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 Vision Holding entities	110,948	26,412	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>83,096</u>	<u>156,337</u>	<u>48,190</u>

Impairment test for CGUs containing goodwill

As of 30 June 2021, 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 shares of the Company. The recoverable amount was based on the value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU's. Management considers the Group as a sole CGU amid vertical integration and the added value its assets chain brings to its dominant position on its main markets.

The key assumptions used were as follows:

Discount rate – 10.09% being the weighted average of the Group's cost of capital.

Inflation rate – 7% being the National Bank of Moldova CPI target rate.

Forecasted EBITDA compound annual growth rate – 12,1% for the next 3 years and flat for terminal value calculation.

Forecasted EBITDA ratio range – 9,07% - 10,07% for the next 3 years.

The Group's key intellectual properties are the trademarks used in the bottled oil segment. The Group owns 39 trademarks, out of which 8 are registered with the World Intellectual Property Organization and 31 are registered in Moldova, including the Group's brand name "Trans Oil Group of Companies". These intangible assets have infinite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

10 FORWARD CONTRACTS ASSETS AND LIABILITIES

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	<u>30 June 2021</u>	<u>30 June 2020</u>
Forward contracts assets	<u>14,583</u>	<u>88,321</u>
Forward contracts liabilities	<u>32,910</u>	<u>18,590</u>

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10 FORWARD CONTRACTS ASSETS AND LIABILITIES (CONTINUED)

During the financial year 2021, the Group entered into several agreements with farmers in the Republic of Moldova for the supply of commodities. The farmers cultivate wheat, corn, sunflower seeds, barley and rape seeds on the area of circa 129'000 ha. The Group is entitled to receive all commodities harvested out of those lands.

The Group recognized a gain of USD 682 thousand (2020: gain of 556 thousand) from the forward contracts of previous period as a result of change in contractual terms and conditions of deliveries.

11 INVENTORIES

	<u>30 June 2021</u>	<u>30 June 2020</u>
Own production	37,142	24,932
Cereals purchased for resale	357,187	241,310
Spare parts	2,183	1,018
Packing materials	729	511
Raw materials for agricultural products	1,849	66
Other inventories	<u>2,339</u>	<u>3,273</u>
	<u>401,429</u>	<u>271,110</u>

Own production is made by the following:

	<u>30 June 2021</u>	<u>30 June 2020</u>
Refined vegetable oil	4,033	709
Crude vegetable oil	27,672	23,861
Sunflower meal	1,820	-
Soya meal	1,409	-
Bottled vegetable oil	1,963	362
Other cereals	<u>245</u>	<u>-</u>
	<u>37,142</u>	<u>24,932</u>

Cereals purchased for resale are made up as follows:

	<u>30 June 2021</u>	<u>30 June 2020</u>
Wheat	30,934	37,859
Barley	24,782	9,204
Sunflower	116,264	103,260
Corn	38,027	35,465
Other cereals	2,450	130
Soya	11,833	6,570
Rape	22,794	2,640
Crude vegetable oil	54,421	46,183
Soybean meal	50,459	-
Sunflower meal	<u>5,223</u>	<u>-</u>
	<u>357,187</u>	<u>241,311</u>

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11 INVENTORIES (CONTINUED)

As of the date of the present consolidated financial statements, USD 96,697 thousand (2020: USD 78,804 thousand) of the inventories of the Group, as described above, were pledged to several trade finance providers of the Group, while the majority of inventories have been free of lien.

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.

Own production and cereals purchased for resale amounting to USD 357,187 thousand are valued at fair value less costs to sell, and other inventories amounting to USD 37,142 thousand are valued at the lower of cost or net realisable value.

12 TRADE AND OTHER RECEIVABLES

	<u>30 June 2021</u>	<u>30 June 2020</u>
Trade receivables	78,143	53,350
Advances to suppliers	81,198	62,174
Receivables from related parties (Note 32)	899	128
Receivables from the State budget	5,352	5,070
Receivables from employees	748	1,274
Other account receivables	1,132	1,756
Less: Expected credit loss allowance under IFRS 9 (Note 6.1)	(7,080)	(4,387)
Less: bad debts provision	<u>(3,482)</u>	<u>(7,276)</u>
	<u><u>156,910</u></u>	<u><u>112,089</u></u>

Advances to suppliers have a non-financial character as the Group expects all advances granted to be turned into deliveries of agricultural commodities.

The amount of value added tax ("VAT") receivable included in the Receivables from the State budget amounts to USD 5,352 thousand (30 June 2020: USD 5,070 thousand). 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.

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

	<u>30 June 2021</u>	<u>30 June 2020</u>
Balance as at 1 July	(11,663)	(13,022)
Less: Credit loss allowance under IFRS 9 for current period	(2,975)	(676)
Bad debts written off	3,089	1,759
Exchange rate differences	<u>987</u>	<u>276</u>
Balance at financial period ending as at 30 June	<u><u>(10,562)</u></u>	<u><u>(11,663)</u></u>

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12 TRADE AND OTHER RECEIVABLES (CONTINUED)

The balance of the receivables from personnel represents the amounts provided to the directors of the companies to fulfil acquisitions of the commodities from the small farmers and as of 30 June 2021 the balance of such amounts is USD 748 (30 June 2020: USD 1,274).

The charge for the year ended 30 June 2021 following the ECL model was USD 2,693. Other USD 296 has been incurred based on effective credit losses, where the group does not expect anymore any inflows of economic benefits from its clients or suppliers.

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

	<u>30 June 2021</u>	<u>30 June 2020</u>
MDL	5,549	2,289
USD	35,674	52,438
EUR	<u>38,052</u>	<u>378</u>
	<u><u>79,275</u></u>	<u><u>55,105</u></u>

The Group does not hold any collateral over the trading balances.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above. The Group's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclosed in Note 6.

13 ADVANCES GIVEN

	<u>30 June 2021</u>	<u>30 June 2020</u>
Advances given for long-term rent	<u>-</u>	<u>1,425</u>
	<u><u>-</u></u>	<u><u>1,425</u></u>

As of June 30, 2021, long term advances granted to Danube Logistics SRL for land rent has been reclassified to Right-of-use.

14 LEASE LIABILITIES

The Group leases land and port infrastructure, located in the Giurgiulesti, used for its transshipment purposes of traded commodities, as well as vehicles for its operational activity.

As of the date of reporting, the Group leases the following plots of land and port infrastructure through its subsidiaries:

- Trans Cargo Terminal SRL – 25,815 square metres – storage facility and forwarding services provider of grains;
- Trans Bulk Logistic SRL – 7,717 square metres – storage facility and forwarding services provider of oil production.
- Danube Oil Company SRL – 37,070 square metres - crushing facility.

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14 LEASE LIABILITIES (CONTINUED)

Lease liabilities comprise the discounted future fixed payments for land lease and annual minimum commitment for transhipped volumes of commodities via Danube Logistics's jetties.

As of 30 June 2021, annual minimum commitment payable for Trans Cargo Terminal SRL amounted to USD 610 thousand.

The following is the maturity analysis of lease payments under the lease agreements as of 30 June 2021:

	<u>30 June 2021</u>	<u>30 June 2020</u>
Payable within one year	2,036	1,716
Payable in the second to fifth years	7,153	6,680
Payable after five years	<u>17,364</u>	<u>18,320</u>
Total	26,553	26,716
<i>less</i>		
Future finance charges	<u>(13,422)</u>	<u>(13,477)</u>
Present value of lease obligations	13,131	13,239
<i>less</i>		
Current portion	<u>(744)</u>	<u>(412)</u>
Lease obligations, long-term portion	<u>12,387</u>	<u>12,827</u>

15 CASH AND CASH EQUIVALENTS

	<u>30 June 2021</u>	<u>30 June 2020</u>
Cash at banks in foreign currencies	15,102	3,731
Cash in transit	44	44
Cash in USD	51,444	38,190
Restricted cash (DSRA)	583	18,000
Cash in hand	<u>94</u>	<u>70</u>
	<u>67,267</u>	<u>60,035</u>

The Group has also placed an amount of EUR 490 with International Bank for Economic Co-operation as debt service reserve account (DSRA), representing half-year interest payment for the loan attracted from International Investment Bank.

The amount is restricted for the only purpose of paying the interest on fixed dates to the Bank. The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 6.

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16 SHARE CAPITAL

	30 June 2021		30 June 2020	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	12,572	18	12,572	18
Unsubscribed ordinary shares	-	-	-	-
Share premium	-	20,437	-	20,437
Redeemable preference shares	-	-	-	-
	<u>12,572</u>	<u>20,455</u>	<u>12,572</u>	<u>20,455</u>

In June 2019, International Finance Corporation (“IFC”) being a redeemable preference shareholder of the Group, has sold its 1 B redeemable preference share to Mr. Vaja Jhashi for a price of USD 14 and has been cancelled.

On 18 June 2019, Oaktree Capital Management LP via its vehicle Cooperstown SARL acquired a 12.5% interest in Aragvi Holding International Limited (the parent company of the Group) through a conversion of a loan granted to the Group in 2015 into equity. Principal, accrued interest exit fees and other commissions totalled USD 20,175 have been agreed by the parties to be the subscription or consideration amount.

17 DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 30 June 2021, the Group entered into forward foreign exchange contracts, aiming to reduce the exposure to adverse currency change.

The fair value of the derivative financial instruments as of 30 June are as follows:

	Nominal amount	Carrying amount				Line item in the statement of financial position where the hedging instrument is included
		30 June 2021		30 June 2020		
		<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
Foreign exchange contracts	<u>132,544</u>	<u>917</u>	-	-	Derivative financial instruments	
		<u>917</u>	-	-		

Foreign exchange contract assets are considered current due to horizon of hedge to adverse currency changes. The movements in value of foreign exchange contracts are recognized at fair value to profit and loss (FVTPL).

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18 BORROWINGS

	<u>30 June 2021</u>	<u>30 June 2020</u>
Non-current		
Bank borrowings	74,162	22,434
Loan from related parties (Note 32)	27,045	14,169
Loan interest unwinding	211	-
Loan fair value adjustment	(3,061)	-
Derecognition of financial liability	<u>(5,224)</u>	<u>-</u>
	<u>93,133</u>	<u>36,603</u>
Current		
Bank borrowings	130,129	119,546
Bonds accrued interest	<u>6,220</u>	<u>8,100</u>
	<u>136,349</u>	<u>127,646</u>

The Group has a secured Pre-export syndicated facility arranged by ING Bank N.V. with nil carrying amount at 30 June 2021 (2020: USD 55,000). The Group has also a secured Pre-Crop syndicated facility arranged by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), with a carrying amount of USD 35,000 at 30 June 2021 (2020: USD 32,000). Both facilities have a short-term nature. However, the facilities contained a covenant stating that at the end of semester the Group's fixed charges coverage ratio (defined in the covenant as the Group's bond coupon, bank interest, bank and loans fees and commissions over EBITDA) cannot be under 2.0 times, otherwise the facility will be repayable on demand.

The Group went below the threshold at 30 June 2021 and the fixed charges coverage ratio stood at 1.4 times. However, the management together with ING Bank N.V. and other lenders agreed for a testing vacation of the aforementioned covenant as of 30 June 2021. Accordingly, the facilities were not payable on demand at 30 June 2021.

On 19 July 2021, FMO waived the requirement to test the fixed charges coverage ratio as of 30 June 2021. Hence, there were no events of default and no breaches of covenant whatsoever.

Borrowings' reconciliation of movements to cash flows arising from financing activities are presented as follows:

Balance as of 1 July 2020:	164,067
Proceeds from loans and borrowings	106,400
Repayment of loans and borrowings	<u>(55,635)</u>
	214,832
Finance expenses accrued	102,905
Finance expenses paid	(92,922)
The effect of changes in foreign exchange rates	<u>4,665</u>
Borrowings as of June 30, 2021	<u>229,482</u>

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18 BORROWINGS (CONTINUED)

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>Year ended</u> <u>30 June 2021</u>	<u>Year ended</u> <u>30 June 2020</u>
6 months or less	115,313	127,546
6-12 months	22,750	-
1-5 years	72,483	22,534
Over 5 years	<u>18,936</u>	<u>14,169</u>
	<u>229,482</u>	<u>164,249</u>

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

	<u>30 June 2021</u>	<u>30 June 2020</u>
USD	89,970	141,715
EUR	<u>139,512</u>	<u>22,534</u>
	<u>229,482</u>	<u>164,249</u>

	<u>30 June 2021</u>	<u>30 June 2020</u>
Total bank loans	204,291	142,080
Other financial liabilities	6,220	8,000
Other commercial loans	-	-
Loan from related party (Note 32.2)	<u>18,971</u>	<u>14,169</u>
Total	<u>229,482</u>	<u>164,249</u>

Split of Group's loans and borrowings by nominal interest rates as of 30 June 2021:

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	15,644	86,848	88,550	38,440	229,482

Split of Group's loans and borrowings by nominal interest rates as of 30 June 2020:

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	22,166	43,815	98,268	-	164,249

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

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19 BONDS ISSUED

	<u>30 June 2021</u>	<u>30 June 2020</u>
Secured senior notes	450,000	300,000
Less: Unamortized debt issue costs	<u>(15,868)</u>	<u>(11,222)</u>
	<u>434,132</u>	<u>288,778</u>

In April 2021 the Group issued US\$400m 5NC3 high yield bond ('the Notes') that will mature on 29 April 2026. The bond with ISIN code XS2326545204 is admitted on the Euronext Dublin under Global Exchange market ('GEM'). The Notes coupon started to accrue from 29 April 2021 at the rate of 8.45% per annum payable semi-annually in arrears on 29 April and 29 October each year commencing from 29 October 2021.

The Notes are secured, ranking equally with all existing and future senior indebtedness of the Issuer and have been unconditionally and irrevocably guaranteed by designated Group subsidiaries on the joint and several basis to the maximum extent permitted by law.

The noteholders will share in the benefit of the Security. The Security consists of substantially all of the movable assets (excluding commodities) of Agrofloris-Nord SRL, Elevatorul Iargara SA, Floarea Soarelui SA, Molgranum SRL, Trans Bulk Logistics SRL, Trans Cargo Terminal SRL, Uleinord SRL, Combinatul de Cereale Aur Alb SA, Elevatorul Kelley Grains SA, Trans Oil Refinery SRL and Reniyskiy Elevator ALC.

The Notes contain certain restrictive covenants that limit the ability of the Issuer and, where applicable, its restricted subsidiaries to create or incur certain liens, make restricted payments, engage in amalgamations, mergers or consolidations, or combination with other entities; make certain disposals and transfers of assets; and enter into transactions with affiliates.

Bond's reconciliation of movements to cash flows arising from financing activities are presented as follows:

	US Dollars
	000s
Balance as of 1 July 2020:	288,778
Repayment of bond 12%/2024	(341,422)
Proceeds from bond 8.45%/2026	452,439
Interest income on DSRA from bond 8.45%/2026	233
Accelerated amortization of fees and commission re 12%/2024 bond	11,222
Premium received re bond 8.45%/2026	(2,439)
Premium paid for tendering of bond 12%/2024	41,422
Transaction costs related to bonds issued	<u>(16,101)</u>
Bond issued as of 30 June 2021	<u>434,132</u>

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19 BONDS ISSUED (CONTINUED)

On or after 20 April 2024, the Issuer may redeem the Notes in whole, but not in part, at the redemption prices (expressed as percentages of the principal amount of the Notes) set forth below, plus accrued and unpaid interest to (but excluding) the applicable redemption date, if redeemed during the periods indicated below:

<u>Year</u>	<u>Percentage</u>
Twelve-months beginning on 29 April 2024	104.225 per cent.
Nine-months beginning on 29 April 2025	102.1125 per cent.
Three-months beginning on 29 January 2026	100 per cent.

At any time prior to 29 April 2024, upon not less than 30 nor more than 60 days' notice, the Issuer may redeem the Notes in an aggregate principal amount not to exceed 35 per cent. of the aggregate principal amount of the Notes with the net cash proceeds of one or more Equity Offerings, at a redemption price equal to 108.45 per cent. of the principal amount redeemed, plus accrued and unpaid interest, if any, to the date of redemption, provided that at least 65% of the principal amount of the Notes remains outstanding immediately after each such redemption.

In addition, at any time prior to 29 April 2024, the Issuer may redeem the Notes in whole, by paying the principal amount, plus accrued interest, together with the Make Whole Premium as more fully described in the Conditions.

Upon a change of control event each noteholder has the right, but not the obligation, to require the Issuer to purchase the Notes at the purchase price equal to 100 per cent of their principal amount, plus accrued and unpaid interest to the purchase date.

The proceeds from the issue were used to finance an early redemption of the outstanding US\$ 300m 12% Notes due 2024 via an any-and-all tender offer and exit consent exercise with additional funds directed for general corporate purposes, including financing of the Group's working capital.

The Notes were rated in line with the Issuer's IDR by Fitch (B) and S&P (B-).

On 2nd of June the Group issued a US\$50m tap of the US\$400m 5NC3 bond. It was priced at a yield of 7.45% / price of 104.033. Rating agencies reaffirmed the credit ratings of the Group and the Notes following the US\$50m tap issue - Fitch (B) and S&P (B-). The tap has been priced under the same Terms and Condition as the main issuance.

20 BOND PREMIUM

	<u>30 June 2021</u>	<u>30 June 2020</u>
Bond premium	2,439	-
Less: amortization	<u>(45)</u>	<u>-</u>
	<u>2,394</u>	<u>-</u>

Upon pricing of the tap bond issue on 2nd of June, the Group recognized a bond premium equal to USD 2,439. This premium has been recognized as a result of the yield at which it has been priced – 7.45% or price of 104.133, compared to the coupon – 8.45%. The premium will be amortized in arrears following the linear method until the maturity of the bonds.

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21 TRADE AND OTHER PAYABLES

	<u>30 June 2021</u>	<u>30 June 2020</u>
Trade payables	19,064	5,053
Advances received	8,184	8,497
Payroll and social insurance payable	1,661	1,192
Taxes and other payables	<u>6,926</u>	<u>4,190</u>
	<u><u>35,835</u></u>	<u><u>18,932</u></u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 6.1.

22 PROVISIONS

	<u>30 June 2021</u>	<u>30 June 2020</u>
Provision for unused vacations	<u>437</u>	<u>341</u>
	<u><u>437</u></u>	<u><u>341</u></u>
	<u>30 June 2021</u>	<u>30 June 2020</u>
Non-current		
Provision for unused vacations	<u>437</u>	<u>-</u>
Current		
Provision for unused vacations	<u>-</u>	<u>341</u>
	<u><u>437</u></u>	<u><u>341</u></u>

23 REVENUE

	<u>30 June 2021</u>	<u>30 June 2020</u>
Sales of grains and seeds	863,885	617,466
Sales of vegetable oil	212,878	137,832
Sales of oil meal	252,607	38,117
Sales of packed vegetable oil	21,729	10,061
Port, Storage, Cleaning and Drying Services	2,244	5,235
Sale of other products	<u>3,909</u>	<u>5,832</u>
	<u><u>1,357,252</u></u>	<u><u>814,543</u></u>

Information on revenue disaggregation by geographical markets and major products and timing of revenue recognition are disclosed in Note 2 Operating segments.

There were no contract assets or liabilities arising from contracts with customers as of 30 June 2021. The entire revenue recognized over time is considered as from performance obligations satisfied. This is mainly from the short-term nature of service rendered to the Group's customers, that makes the performance obligation short-lived by nature.

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24 COST OF SALES

	<u>30 June 2021</u>	<u>30 June 2020</u>
Opening stocks (Own production and Cereals purchased for resale)	266,242	190,342
Purchases of goods for resale	1,277,428	721,602
Closing stocks (Own production and Cereals purchased for resale)	<u>(394,329)</u>	<u>(266,242)</u>
	<u>1,149,341</u>	<u>645,701</u>
Depreciation (Note 8)	8,895	7,526
Water gas and electricity	654	956
Wages and salaries	2,012	2,057
Consumables	299	306
Transportation	39	67
Packing materials	194	212
Social contributions	204	365
Port services	720	944
Rent	857	819
Fuel	267	339
Maintenance	441	322
Materials	294	388
Other expenses	<u>133</u>	<u>176</u>
	<u>1,164,350</u>	<u>660,178</u>

25 SELLING AND DISTRIBUTION

	<u>30 June 2021</u>	<u>30 June 2020</u>
Freightage expenses	28,502	28,692
Transportation	13,586	10,129
Railroad expenses	1,239	4,763
Wages and salaries	587	636
Credit loss allowance under IFRS 9 (Note 12)	2,977	676
Inspections and surveys	2,244	2,646
Demurrage expenses	1,482	-
Other commercial services	429	681
Certification and expertise	225	709
Custom duties	139	187
Packing expenses	200	260
Loading expenses	2,932	3,090
Depreciation (Note 8)	2,484	2,084
Storage Services	546	678
Marketing services	23	27
Social contributions	136	143
Insurance expenses	2,619	2,059
Brokerage expenses	546	1,096
Other Selling and Distribution expenses	<u>270</u>	<u>297</u>
	<u>61,166</u>	<u>58,853</u>

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26 ADMINISTRATIVE EXPENSES

	<u>30 June 2021</u>	<u>30 June 2020</u>
Wages and salaries	5,352	4,679
Bank expenses	492	272
Social contributions	1,268	974
Taxes	338	291
Legal and consulting expenses	839	616
Entertainment and representation expenses	38	36
Depreciation (Note 8)	503	442
Audit fees	342	206
Maintenance	431	268
Rent	968	898
Telephone and postage	243	186
Survey expenses	236	255
Fuel	349	221
Insurance expenses	168	160
Travelling and accommodation	444	346
Notary's fees	52	41
Other administrative expenses	<u>578</u>	<u>668</u>
	<u><u>12,641</u></u>	<u><u>10,559</u></u>

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27 OTHER LOSSES – NET

	<u>30 June 2021</u>	<u>30 June 2020</u>
(Gain)/Loss on disposal of fixed assets	(136)	432
Depreciation	1,985	1,623
Rent expenses	130	140
Inventory (surplus)/ write off	(222)	225
Fines and claims	132	249
Tax expenses	31	26
Profit from sale of other inventories	264	303
Wages and salaries	359	413
Social contributions	13	12
Repair and maintenance	46	20
Other expenses/(income)	<u>1,682</u>	<u>(954)</u>
	<u><u>4,284</u></u>	<u><u>2,489</u></u>

28 OTHER INCOME

	<u>30 June 2021</u>	<u>30 June 2020</u>
Insurance indemnification	3,173	-
Customers' demurrage	2,104	89
Proceeds from penalties and claims	1,811	-
Gain from write off of expired trade payables	135	130
Stock count surplus	139	399
Transportation and other services	193	195
Other operating income	<u>688</u>	<u>565</u>
	<u><u>8,243</u></u>	<u><u>1,378</u></u>

29 NET FINANCE COST

	<u>30 June 2021</u>	<u>30 June 2020</u>
Interest expenses	11,146	1,037
Loan Commissions	2,408	421
Bank Commissions	1,751	410
Interest on bonds issued	35,961	36,000
Amortization of bonds issued costs (Note 19)	235	2,138
Acceleration of amortization of 2024 \$300M 12%Bond (Note 19)	9,982	-
Premium for tendering of 2024 \$300M 12%Bond	41,422	-
Lease interest expenses	1,306	-
Loan interest unwinding	211	-
Gain on derecognition of financial liability	(5,224)	-
Net foreign exchange difference	<u>(587)</u>	<u>2,208</u>
Net finance cost	<u><u>98,611</u></u>	<u><u>42,214</u></u>

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30 INCOME TAX EXPENSE

The Company accrued income taxes at the rate of 12% on profits computed in accordance with the tax legislation of the Republic of Moldova, Switzerland (12%), Cyprus (12.5%), Ukraine (18%), Romania (16%) and Ireland (12.5%). For the residents of Free trade zone Giurgiulesti there is 3% and 6% 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>30 June 2021</u>	<u>30 June 2020</u>
Profit before taxation	24,443	41,628
Current tax expense for the period at effective statutory rate of 3%-12.5% (2020: 3%-12.5%)	(10,115)	(1,374)
Deferred income tax expense reported in the income statement	<u>(420)</u>	<u>620</u>
Income tax expenses	<u><u>(10,535)</u></u>	<u><u>(1,994)</u></u>

The income tax expense is reconciled to the profit before income tax per Consolidated Statement of Profit or Loss as follows:

	<u>30 June 2021</u>	<u>30 June 2020</u>
Profit before taxation	<u>24,443</u>	<u>41,628</u>
Tax Expenses at Moldovan/Swiss/Romanian blended statutory rate (12%/13.99%/16%)	(12,172)	(4,988)
Effect of 75%/50% reduction in Moldovan tax rate due to residency in special tax zone	1,862	3,144
Effect of reversed unused tax losses and tax offsets not recognized as deferred tax liability	34	17
Effect of different tax rates of Subsidiaries operating in other jurisdictions (Ukraine and Romania)	(61)	(78)
Other expenditures not allowable for income tax purposes and non-taxable income	<u>(198)</u>	<u>(89)</u>
Income tax expenses	<u><u>(10,535)</u></u>	<u><u>(1,994)</u></u>

The effective corporate income tax rate for the year ended 30 June 2021 is 43.10% (2020: 4.79%).

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30 INCOME TAX EXPENSE

The effective corporate income tax rate for the year ended 30 June is reconciled as follows:

	30 June 2021		30 June 2020	
	%	Amount	%	Amount
Profit before tax from continuing operations		24,443		41,628
Tax using the Group's jurisdictions blended tax rate	14.60	3,575	12.13	5,049
Tax effect of:				
Cypriot segment tax losses	(26.70)	(6,538)	-	-
Moldovan segment tax profits	62.00	15,161	-	-
Tax incentives	(7.60)	(1,862)	(7.55)	(3,144)
Non-deductible expenses	<u>0.80</u>	<u>199</u>	<u>0.21</u>	<u>89</u>
	<u><u>43.10</u></u>	<u><u>10,535</u></u>	<u><u>4.79</u></u>	<u><u>1,994</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 to revaluation of non-current tangible assets of Group entities in the following amounts:

Deferred tax liability as of 30 June 2020	23,349
- Movement for the year ended 30 June 2021 due to Swiss operation	420
- Reclassification from long-term provision to deferred tax liabilities	<u>1,874</u>
Deferred tax liability as of 30 June 2021	<u><u>25,643</u></u>
Deferred tax asset as of 30 June 2020	-
- Movement for the year ended 30 June 2021 due to business combinations	<u>950</u>
Deferred tax asset as of 30 June 2021	<u><u>950</u></u>

31 EMPLOYEE BENEFIT EXPENSE

Contributions are made to the government's retirement benefit scheme at the statutory rates in force during the period based on gross salary payments. The cost of social security payments is charged to the profit or loss 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 30 June 2021 amounted to USD 2,318 (30 June 2020: USD 2,674).

	<u>30 June 2021</u>	<u>30 June 2020</u>
Wages and salaries	11,933	10,644
Social insurance costs and other funds	<u>2,318</u>	<u>2,674</u>
	<u><u>14,251</u></u>	<u><u>13,318</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 Profit or Loss. 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.

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32 RELATED - PARTY TRANSACTIONS

The ultimate controlling parties as of 30 June 2021 and during the financial period then ended were Mr. Vaja Jhashi (87.5%) and Oaktree Capital Management LP via Cooperstown SARL (12.5%). The shareholders and their 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 incorporation
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 the management of Aragvi	Moldova
Floarea International SRL	Relationship via the DCFS	Romania
Cooperstown SARL	Shareholder	Luxembourg

Balances with related parties

	<u>30 June 2021</u>	<u>30 June 2020</u>
32.1 Advance balances and accounts receivable (Note 12)		
Mr.Vaja Jhashi (shareholder)	851	116
Floarea International SRL	-	-
Delta Commodity & Financial Services SA	2	11
Silcampes-Sud SRL (other related party)	<u>29</u>	<u>-</u>
	<u><u>882</u></u>	<u><u>127</u></u>

In the year ended 30 June 2021, Mr. Vaja Jhashi has taken over several balances that were guaranteed personally. This receivables balance has been mainly closed during the year ended 30 June 2021 and the balance as at 30 June 2022 is non-interest bearing and does not have a specified maturity date.

	<u>30 June 2021</u>	<u>30 June 2020</u>
32.2 Loan from related party (Note 18)		
Mr.Vaja Jhashi (shareholder)	25,995	14,169
Cooperstown SARL (shareholder)	1,050	-
Loan interest unwinding	211	-
Loan fair value adjustment	(3,061)	-
Derecognition of financial liability	<u>(5,224)</u>	<u>-</u>
	<u><u>18,971</u></u>	<u><u>14,169</u></u>

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32 RELATED - PARTY TRANSACTIONS (CONTINUED)

The shareholder loans provided during the financial year 2021 are related to the financing of VictoriaOil acquisition (Note 31). Loans are interest bearing and subordinated to the claims of other creditors of SunValley and the payment of interest and the principal amount under the shareholder loan is deferred until after the final redemption date of the Bond notes. Loans mature in November 2027. As per the terms of the agreement the loan matured on 24 December 2024. On the 15 March 2021 an addendum to the loan agreement was provided extending the loan maturity date to December 2026.

The loan amounting 14,169, granted by Mr. Vaja Jhashi, the main shareholder, is non-interest bearing. Also, the loan is subordinated to note holders (Note 18) and to several financial institutions - providers of trade finance facilities to the Group.

As of June 30, 2021, the Group has accounted for the fair value of non-current financial liabilities, which related to the shareholder's loans.

Key management compensation for the period ended as at 30 June 2021 amounts to USD 1,618 (30 June 2020: USD 1,016 thousand). Compensation of the Group's key management personnel includes salaries and bonuses, representing short-term employee benefits. Remuneration of Group's Board of Director for the year ended as at 30 June 2021 amounted to USD 330 thousand.

33 ACQUISITION OF SUBSIDIARY

VictoriaOil DOO was consolidated into the Group on 25 June 2021. The Group's consolidated statement of financial position as at 30 June 2021 has fully consolidated the assets and liabilities of VictoriaOil, while VictoriaOil's profits and losses for the period from 25 June 2021 to 30 June 2021 have not been consolidated into Group's consolidated statement of profit and loss and other comprehensive because the effect is not material to the consolidated financial statements. Together with VictoriaOil DOO, the Group has consolidated its immediate parent – SunValley DOO, a Serbian special purpose vehicle that acts as the owner of 100% of the shares of VictoriaOil DOO, including its edible oil plant, debt, net working capital and available cash.

The sale and purchase agreement was signed in August 2020 and closing occurred in December 2020. The buyers of the plant were the shareholders of the Group. The purchase price was U.S.\$67.8 million on a cash free, debt free basis (the purchase price was calculated assuming that SunValley pays off VictoriaOil's debts and extracts all of its cash upon closing). For the avoidance of doubt, the purchase price also excluded working capital and related debt on the balance sheet of VictoriaOil.

SunValley DOO acquisition of Victoria Oil DOO

Acquisition funding by the shareholders (including the purchase price plus up-front fees in connection with bank financing) amounted to EUR 60.8 million (approximately U.S.\$72.9 million using a EUR/USD exchange rate of 1.1987 as at 31 December 2020), or EUR 56.4 million (approximately U.S.\$67.8 million) excluding working capital financing). This included a EUR 50 million (approximately U.S.\$59.9 million) financing from AIK Banka in the form of two 5-year facilities and a shareholder loan in the amount of EUR 10.8 million (approximately U.S.\$12.9 million), including EUR 4.2 million (approximately U.S.\$5.0 million) of working capital financing from the shareholders of SunValley. The financing from AIK Banka included a EUR 19 million (approximately U.S.\$22.8 million) 5.35 per cent. tranche and EUR 5 million (approximately U.S.\$6.0 million) 10.0 per cent. tranche, which were provided to SunValley, and a EUR 26 million (approximately U.S.\$31.2 million) 5.35 per cent. facility provided to VictoriaOil. The shareholder loan is subordinated to the claims of other creditors of SunValley and the payment of interest and the principal amount under the shareholder loan is deferred until after the final redemption date of the Notes.

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34 ACQUISITION OF SUBSIDIARY (CONTINUED)

In June 2021, VictoriaOil was consolidated into the Group on the assumption of control. The Group could not exercise the control over the company before end of June 2021, as it was not being able to pass the dual leverage test embedded into the Notes Terms and Conditions. The test consists of passing two covenants: fixed charges coverage ratio and adjusted net debt to EBITDA. The Group was able to pass these covenants on prospective basis, as if VictoriaOil DOO would have been consolidated within the Group's perimeter.

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognised amounts of net assets acquired and liabilities assumed at the date of the assumption of control by the Group.

	Fair Value Thousand USD
Cash and cash equivalents	1,355
Trade and other receivables	52,104
Inventories	16,612
Land and buildings	4,605
Plant and equipment	73,987
Deferred tax asset	950
Intangible Assets	182
Trade and other payables	(10,044)
Loans and Borrowings	(106,800)
Total identifiable net assets acquired	32,951

The basis for the valuation of fixed assets is the depreciated replacement value for industrial equipment and the market value for assets that may have unlimited alternative use (motor vehicles and logistics equipment. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

33 CONTINGENCIES AND COMMITMENTS

Covenants

The Group has a secured Pre-export syndicated facility arranged by ING Bank N.V. with nil carrying amount at 30 June 2021 (2020: USD 55,000). The Group has also a secured Pre-Crop syndicated facility arranged by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), with a carrying amount of USD 35,000 at 30 June 2021 (2020: USD 32,000). Both facilities have a short-term nature. However, the facilities contained a covenant stating that at the end of semester the Group's fixed charges coverage ratio (defined in the covenant as the Group's bond coupon, bank interest, bank and loans fees and commissions over EBITDA) cannot be under 2.0 times, otherwise the facility will be repayable on demand.

The Group went below the threshold at 30 June 2021 and the fixed charges coverage ratio stood at 1.4 times. However, management together with ING Bank N.V. and other lenders agreed for a testing vacation of the aforementioned covenant as of 30 June 2021. Accordingly, the facilities were not payable on demand at 30 June 2021 (see Note 18).

On 19 July 2021, FMO waived the requirement to test the fixed charges coverage ratio as of 30 June 2021. Hence, there were no events of default and no breaches of covenant whatsoever.

34 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Taxation

The legislation and fiscal environment in Serbia, Romania and Moldova and their implementation into practice change frequently and are subject to different interpretations by various Ministries of the Government. The governments have a number of agencies that are authorized to conduct audits ("controls") of Group companies. 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. Corporate income tax returns are subject to review and correction by the tax authorities for a period generally up to five-seven years subsequent to their filing and, consequently, the Group's 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 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 transfer pricing policy that will be submitted to Swiss tax administration for approval.

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.

34 OPERATING ENVIRONMENT AND CONTINGENT LIABILITIES

Operating Environment

Over the recent years, the Group has expanded its operations through several new geographic regions and countries, some of which are categorized as developing, complex or having unstable political or economic landscapes. As a result, the Group is exposed to a range of political, economic, regulatory, social and tax environments.

The Group's assets are mainly concentrated in Moldova, Romania and Serbia. Also, the Group is operating in Black Sea (Moldova, Romania and Ukraine), Central Europe (Serbia, Montenegro, Croatia and North Macedonia) Mediterranean, Middle East and Americas markets as a basis of origination and marketing. The Group continues to actively engage with governmental authorities in light of potential changes and developments in legislation and enforcement policies.

Moldova has undergone substantial political and economic change. Being an emerging market, Moldova does not possess a 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.

35 OPERATING ENVIRONMENT AND CONTINGENT LIABILITIES (CONTINUED)

Operating Environment (continued)

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 medium competition and the Group is the leading enterprise with the largest share of the Moldovan market (more than 50% of the grains and oilseeds market capacity).

Romania has recently been classified as a high-income country by the World Bank in recognition to its high economic growth, economic and political reforms the country undergone since joining the European Union. Romania has a sovereign investment grade rating set by the major rating agencies. The Group operates a crushing facility in Romania, as well as trading operations in Constanta port. Romanian grains and oilseeds market is highly competitive with major global players operating in the country, therefore the margins are more tight than in Moldova. The group also has holding companies in Cyprus.

COVID-19

With the rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year, that have been mainly lifted closed to the year end.

To this end, certain measures have been taken by the governments of the countries the Group operates, since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

The measures had been continuously revised (lifted or tightened) by the governments during the year taking into consideration the pandemic status in the respective countries.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and did not result in any operational or financial disruptions for the Group.

Contingent liabilities

The Group has contingent liabilities in respect of lease agreements in force as of reporting date. It is not anticipated that any material liabilities will arise from the contingent liabilities except the following:

- i.** 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 is USD 95. The lease agreement has a maturity in year 2032.
- ii.** 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 is USD 42. The lease agreement has a maturity in year 2032.

36 ENTITIES DIRECTLY INVESTED 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 these entities equal to the investment to the subsidiary.

37 PLEDGED ASSETS

The Group's main assets are pledged to the note holders. Please refer to Note 19 for more information.

38 GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing return to shareholders through a combination of debt and equity capital. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and risks associated with each class of capital. Based on recommendations from management, the Group balances its overall capital structure through the issue of new debt or the redemption of existing debt.

39 SUBSEQUENT EVENTS

On 21 July 2021 the Group extended its Pre-export facility (PXF) arranged by ING Bank N.V. for another two years until August 2023 and also increased the maximum amount to US\$220 million. As of the date of this report, the total firm commitments were US\$145.5 million distributed among ING Bank N.V., Black Sea Trade and Development Bank, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), FIMBank p.l.c., MOBIASBANCA - OTP GROUP S.A., OTP Bank Plc., Raiffeisen Bank International AG and UBS Switzerland AG. Total Tranche A Commitments due by 1 July 2022 are US\$105.5 million and Total Tranche B Commitments due by 1 July 2023 are US\$40 million. Tranche A Commitments can be extended until 1 July 2023. Any additional lender can accede the facility via an accession deed.

On 10th September 2021, the Group successfully priced another US\$50m tap issuance of the original US\$450m Eurobond due 2026. The transaction brings the outstanding Eurobond to a total benchmark size of US\$500m following the US\$400m new Eurobond issue in April 2021 and first US\$50m tap issue in June 2021, supporting the investor demand and enhancing liquidity. The tap was priced at price of 104.125 reflecting final yield of 7.33% (YTW) – well inside the original issue yield.

The newly created Group SPV Balkan Commodities International (Serbia) signed an SPA with MK Group (Serbia) in July 2021 to acquire certain of its assets and shares of companies that own inland grain storages and two port terminals on Danube River in Serbia. The Group expects to close the transaction by December 2021. The closing is contingent to certain CPs to be completed by the Sell side, as well as to transaction clearance by the Competition Authorities of Serbia, Montenegro, North Macedonia and Romania. The acquisition price is undisclosed. The source of funds will be Group's own cash from operations.

In early August 2021, the Group moved its headquarters to from Chisinau, Republic of Moldova to Bucharest, Romania. This move enhanced the Group's presence in Central Europe and increases the reach of its operations. Senior management as well as CEO have moved permanently to new office.

No other subsequent events that required adjustment to or disclosure in the consolidated financial statements has occurred after the reporting period.