

**ARAGVI HOLDING
INTERNATIONAL LIMITED**

**CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019**

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

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Vaja Jhashi

Executive Managing Director

Asif Chaudhry

Non-Executive Director

Cem Osmanoglu

Non-Executive Director

Stephane Frappat

Non-Executive Director

Alain Stephane Dorthe

Non-Executive Director

Tommy Jensen

Non-Executive Director (appointed on
1 August 2019)

Company Secretary:

Eleni Karra

Independent Auditors:

BDO Limited

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

Registered office:

Menandrou 4
GALA Tower, Floor 2
1066
Nicosia, Cyprus

ARAGVI HOLDING INTERNATIONAL LIMITED

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 30 June 2019.

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

On 29 March 2019 Aragvi Holding International Limited acquired 95% shares of Global Grains International SRL, Romanian entity who owns an oilseeds processing plant located in Romania, Tindarei, with crushing capacity of 700 mt/day, via its subsidiary (95% shares) Helios Agri International SRL. By this acquisition, the Group increased its crushing capacity up to 2300 mt/day.

Review of current position, and performance of the Group's business

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:

- Increase of the Group oilseeds processing capacity through the acquisition of new crushing plant in Romania, and consolidation of its position in the region.
- Significant profitable growth of the originated and traded volumes of grains.
- Most developed infrastructure network of the country ensuring an efficient commodity logistics, handling and fobbing, that being continuously updated.
- Professional team and permanent development of employees professional skills.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in note 4 of the consolidated financial statements.

Future developments of the Group

The Board of Directors 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.

Results

The Group's results for the year are set out on pages 7 - 13.

Research and development activities

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

Share capital

On 18 June 2019, Oaktree Capital Management LP via its subsidiary Cooperstown SARL joined the Group by acquisition of 12.5% of share capital of Aragvi Holding International Limited, through additional emission in the same amount.

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.

Board of Directors

The Company's Board of Directors structure as at 30 June 2019 and at the date of this report is presented on page 1. Mr. Vincenzo Turrisi who was appointed as executive director on 15 May 2018 has resigned on 01.01.2019. Mr. Tommy Jensen has been appointed as non-executive director on 1 August 2019. In accordance with the Company's Articles of Association the Board of Directors presently members of the Board continues in office.

There were no significant changes 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 29 to the consolidated financial statements.

Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

Related party balances and transactions

Disclosed in note 27 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, BDO 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
Limassol, 15 October 2019

Independent Auditor's Report

To the Members of Aragvi Holding International Ltd

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aragvi Holding International Ltd (the "Company") and its subsidiaries (the "Group"), which are presented in pages 7 to 79 and comprise the consolidated statement of financial position as at 30 June 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the additional information to the consolidated statement of profit or loss and other comprehensive income but it 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.

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. We have nothing to report in this regard.

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 International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus 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.

Independent Auditor's Report (Continued)

Responsibilities of the Board of Directors for the Consolidated Financial Statements (continued)

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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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.
- 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 auditor's 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 auditor's 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 within 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.

Independent Auditor's Report (Continued)

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matter

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



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

BDO Limited
Certified Public Accountants (CY) and Registered
Auditors

Limassol,15/10/2019

ARAGVI HOLDING INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

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

	<u>Note</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
ASSETS			
Non-current assets			
Intangible assets	7	2,023	1,828
Property, plant and equipment	6	245,862	232,946
Financial assets at fair value through profit and loss (2018: available for sale financial assets)	11	-	46
Goodwill	7	48,688	48,688
Advances given	12	4,888	1,849
Other financial assets	-	<u>-</u>	<u>211</u>
		301,461	285,568
Current assets			
Inventories	9	194,072	113,530
Forward contracts	8	61,754	61,029
Trade receivables and advances given	10	86,728	39,226
Cash and cash equivalents	13	<u>75,284</u>	<u>26,158</u>
		<u>417,838</u>	<u>239,943</u>
Total assets		<u>719,299</u>	<u>525,511</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital and premium	14	20,455	281
Share Options	14	-	1,603
Retained earnings		210,107	187,371
Fair value reserves		<u>39,466</u>	<u>39,466</u>
		<u>270,028</u>	<u>228,721</u>
NON-CONTROLLING INTEREST		<u>13,833</u>	<u>14,249</u>
Total equity		<u>283,861</u>	<u>242,970</u>

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT (CONTINUED)**

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

	<u>Note</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
LIABILITIES			
Non-current liabilities			
Borrowings	15	37,427	64,587
Bonds issued	16	289,077	-
Deferred tax liabilities	25	21,823	13,488
Advances received	-	292	387
Provisions for other liabilities and charges	-	<u>330</u>	<u>355</u>
		348,949	78,817
Current liabilities			
Borrowings	15	67,642	182,758
Trade and other payables	17	<u>18,847</u>	<u>20,966</u>
		86,489	203,724
Total liabilities		<u>435,438</u>	<u>282,541</u>
Total equity and liabilities		<u>719,299</u>	<u>525,511</u>

These consolidated financial statements have been approved for issue by the Board of Directors on 15 October 2019 and signed on their behalf by:



Vaja Jhashi
Chief Executive Officer



Alain Stephane Dorthe
On behalf of Board of Directors

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

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

	<u>Note</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
Revenue	18	552,326	457,978
Cost of sales	19	<u>(439,541)</u>	<u>(356,868)</u>
Gross profit		112,785	101,110
Other income	23	2,990	1,059
Selling and distribution costs	20	(38,471)	(39,156)
General and administrative expenses	21	(10,714)	(8,552)
Other gains / (losses) – net	22	<u>2,466</u>	<u>(3,533)</u>
Operating profit		69,056	50,928
Net finance income / (costs)	24	<u>(34,431)</u>	<u>(24,312)</u>
(Loss)/ Profit before income tax		34,625	26,616
Income tax expense	25	<u>(2,809)</u>	<u>(499)</u>
(Loss)/ Profit for the year		<u>31,816</u>	<u>26,117</u>
(Loss)/ Profit attributable to			
Owners of the parent		31,534	26,753
Non-controlling interest		<u>282</u>	<u>(636)</u>
(Loss)/ Profit for the year		<u>31,816</u>	<u>26,117</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>31,816</u>	<u>26,117</u>
Attributable to:			
- Owners of the parent		31,534	26,753
- Minority interest		<u>282</u>	<u>(636)</u>
Total comprehensive income for the year		<u>31,816</u>	<u>26,117</u>

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

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

	<u>Note</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
Cash flows from operating activities			
Net profit before taxation		34,625	26,616
Adjustments for:			
Allowance doubtful accounts receivables, including IFRS 9 impact	20	1001	72
Depreciation and amortization	19 - 22	9,955	9,389
Loan commission amortisation	24	211	203
Fair value of forward contracts	8	725	275
Write-off of financial assets at FVTPL	22	46	-
Gains from write off of expired trade payables	23	(1,496)	(806)
Gains on disposal of fixed assets	22	(936)	-
Unrealised foreign exchange loss/(gain), net	24	(230)	(437)
Interest and bank commission expense	24	34,010	24,749
Bargain purchase Romanian assets	22	<u>(4,452)</u>	<u>-</u>
Operating profit before changes in working capital		73,459	60,061
Changes in working capital:			
Increase in inventories	9	(80,542)	(14,977)
(Increase)/ Decrease in trade and other receivables	10	(47,502)	2,016
(Decrease)/Increase in trade and other payables	17	<u>(2,119)</u>	<u>(12,329)</u>
Cash generated from operations		(56,704)	34,771
Interest and other finance costs paid		<u>(26,793)</u>	<u>(25,221)</u>
Net cash (used)/ generated by operating activities		(83,497)	9,550
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		599	3,502
Advances granted for PPE acquisition	12	(3,100)	-
Purchases of property, plant and equipment		<u>(1,923)</u>	<u>(6,847)</u>
Net cash used in investing activities		(4,424)	(3,345)

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

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

	<u>Note</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
Cash flows from financing activities			
Net proceeds from bonds issued and other borrowings		273,836	193,469
Net repayments of borrowings		<u>(135,789)</u>	<u>(182,462)</u>
Net cash from financing activities		138,047	11,007
Effect of exchange rate changes on cash movements		(1,000)	297
Net increase in cash and cash equivalents		<u>49,126</u>	<u>17,509</u>
Cash and cash equivalents at 30 June 2018/2017		<u>26,158</u>	<u>8,649</u>
Cash and cash equivalents at (Note 13)		<u>75,284</u>	<u>26,158</u>

The notes on pages 14 to 79 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 2019**

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

	<u>Attributable to equity holders of the Company</u>					<u>Total</u>	<u>Non-controlling Interest</u>	<u>Total Equity</u>
	<u>Ordinary shares</u>	<u>Share premium</u>	<u>Revaluation reserves</u>	<u>Share options</u>	<u>Retained earnings</u>			
Balance at 30 June 2017/ 1 July 2017	16	265	39,466	1,603	162,629	203,979	12,875	216,854
Comprehensive income								
Net profit for the period	-	-	-	-	26,753	26,753	(636)	26,117
Currency translation differences	-	-	-	-	-	-	(1)	(1)
Total comprehensive income for the period	16	265	39,466	1,603	189,382	230,732	12,238	242,970
Transactions with owners								
Business combinations	-	-	-	-	(2,011)	(2,011)	2,011	-
Balance at 30 June 2018	<u>16</u>	<u>265</u>	<u>39,466</u>	<u>1,603</u>	<u>187,371</u>	<u>228,721</u>	<u>14,249</u>	<u>242,970</u>

The fair value reserve for land and buildings arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

Group has adopted the policy to define control equal to shareholding held directly or indirectly by the Parent Company and to ignore any shareholding held by the UBO. Based on this change, movement between Retained Earnings and Non-Controlling Interest was posted in order to reflect this fact.

The notes on pages 14 to 79 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 2019**

(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 at 30 June 2018	16	265	39,466	1,603	187,371	228,721	14,249	242,970
Effect of initial application of IFRS 9*	-	-	-	-	(3,350)	(3,350)	-	(3,350)
Deferred tax charge on RE**	-	-	-	-	(5,448)	(5,448)	(698)	(6,146)
Balance at 1 July 2018 as restated	16	265	39,466	1,603	178,573	219,923	13,551	233,474
Comprehensive income								
Net profit for the period	-	-	-	-	31,534	31,534	282	31,816
Share option write off	-	-	-	(1,603)	-	(1,603)	-	(1,603)
Total comprehensive income for the period	16	265	39,466	-	210,107	249,854	13,833	263,687
Transactions with owners								
Business combinations	-	-	-	-	-	-	-	-
Issue of ordinary share under Oaktree transaction (Note 14)	2	20,172	-	-	-	20,174	-	20,174
Balance at 30 June 2019	18	20,437	39,466	-	210,107	270,028	13,833	283,861

* Transition to IFRS 9 relates to excepted credit losses calculated on trade receivables and advances granted as at 30 June 2018.

**As per IAS 8 Accounting policies, Changes in Accounting Estimates and Errors we proceeded with a prior year correction by restating the comparative amounts for the prior periods presented in order to accurately present the retained earnings balance at the reporting date.

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

1 GENERAL INFORMATION

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

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

The consolidated financial statements of the Group as at and for the year ended 30 June 2019 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 2019.

As of 30 June 2019 the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Company were as follows:

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

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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

1 GENERAL INFORMATION (CONTINUED)

Entity	Principal Activity	Country of in corporation	Sharehol- ding,%
Elevator Kelley Grains SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services. Cultivation of agriculture products and animals.	Moldova	89.77
Combinatul de Cereale Aur Alb SA	Grain elevator. Flour meal. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	63.52
Combinatul de Produce Cereale Prut SA	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	85.79
Elevatorul Iargara SA		Moldova	89.73
Flograin Group SRL		Moldova	100.00
Anengrain - Group SRL		Moldova	100.00
Unco-Cereale SRL		Moldova	100.00
IM Prut SA		Moldova	61.93
Molgranum SRL		Moldova	99.99
Floarea-Soarelui Comert SRL	Dealership of bottled oil	Moldova	84.66
Reniskyi Elevator OOO	Free trade zone resident. Port grain elevator. Provision of grain forwarding services.	Ukraine	94.77
Reni-Line OOO	Free trade zone resident. Port grain elevator. Provision of grain forwarding services.	Ukraine	66.70
Uleinord SRL		Moldova	100.00
Agrofloris-Nord SRL	Special purpose entity. Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Moldova	100.00
Ceba Grup SRL	Special purpose entity. Whole sale grains trading company.	Moldova	100.00
Agrotest-Lab SRL	Provision of laboratory services.	Moldova	100.00
Aragvi Finance International DAC	Special purpose entity. Issuer of the bonds. Please refer to Note 16.	Ireland	100.00
Trans-Oil Commodities SRL	Special purpose entity. Whole sale grains trading company.	Moldova	100.00

During financial year 2019, Group entered into several business combinations to acquire the participation in the following entities:

Entity	Principal Activity	Country of in corporation	Sharehol- ding,%
Global Grain International SRL	Special purpose entity and holding company. Whole sale grains trading company.	Romania	95.00
HeliosAgri International SA	Oils seeds crushing plant.	Romania	95.00

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

1 GENERAL INFORMATION (CONTINUED)

Global Grain International SRL

Holding company for HeliosAgri International SA and special purpose entity dealing with acquisition of sunflower seeds for the HeliosAgri International SA crushing plant and also trading of grains and oilseeds in Romania.

HeliosAgri International SA

The property comprises an edible oil plant located on str. Teilor no. 51, Tandarei, Ialomita County. It is situated in the north-western part of Tandarei, in the close vicinity of Tandarei sugar factory and Tandarei train station.

The real estate property comprises approximately 12.3 ha of land and a number of 57 buildings, circa 10.160 sq.m inner roads and platforms, normal-gauge railways, surrounding fence. Most of real estate facilities were built in 1980'es. The majority of the production lines, installations and equipment have been recently upgraded to meet the specific processes of the plant, consisting of specialized assets and general use items.

The Group got the control over the both entities on 29 March 2019 in a transaction where EFA Group as the previous owner, received EUR 10 million as a repayment of its debt towards HeliosAgri International SA. After repayment, the Group took over the control of HeliosAgri International SA via Global Grain International SRL at a consideration of USD 1. The transaction has been arranged by the Group and financed by International Investment Bank – a multilateral development institution that granted a 7-year EUR 10 million loan to HeliosAgri International SA for this particular transaction. Hence, identifiable net assets at the transaction date were USD 4,452 that have been considered as bargain purchase gains according to IFRS 3 Business Combinations (Note 22).

Seasonality of operations

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

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.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

1 GENERAL INFORMATION (CONTINUED)

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 management and members of the board of directors of the Group are identified as chief operating decision makers.

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

Starting with 1 July 2018, the Group is presenting 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 3 crushing plant:

- 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 750 metric tons of sunflower seeds per day. It also has refining and bottling capacities.

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

Reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. The segment data is calculated as follows:

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1

GENERAL INFORMATION (CONTINUED)

Operating segments (continued)

Key data by operating segment for the year ended 30 June 2019:

	Origination and Marketing	Crushing and Refining	Infrastructure	Reconciliation	Total
Revenue (external)	429,385	111,997	10,944	-	552,326
Intersegment sales	465,995	94,271	3,544	(563,810)	-
Total revenue	895,380	206,268	14,488	(563,810)	552,326
Cost of sales	342,702	91,996	4,843		439,541
Gross profit	86,683	20,001	6,101	-	112,785
Other income					2,990
Selling and distribution costs					(38,471)
General and administrative expenses					(10,714)
Other (losses)/gains – net					2,466
Finance income (loss)					(34,431)
Income tax expenses					(2,809)
Net profit for the year (loss)					31,816
Total assets	475,053	175,594	68,652	-	719,299
Capital expenditure	708	6,917	1,212	-	8,837
Amortization and depreciation	2,259	3,851	3,800	-	9,910
Liabilities	287,240	106,543	41,655	-	435,438

During the year ended 30 June 2019, revenues of approximately USD 50,831 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 97 % of total external sales.

For the year ended 30 June 2019, revenue from the Group's top five customers accounted for approximately 36.1 % of total revenue.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

1 GENERAL INFORMATION (CONTINUED)

Operating segments (continued)

The Group's revenue from external customers (based on the location where sale occurred) by geographical location are detailed below:

	Revenue from external customers
	Year ended 30 June 2019
European Union	213,735
Turkey	128,606
Black Sea Area	88,032
Middle East and North Africa (MENA)	70,635
Republic of Moldova	35,211
Other countries	16,107
Total	552,326

2 NUMBER OF EMPLOYEES

At 30 June 2019 the Group had 1,868 employees (30 June 2018: 1,722).

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years disclosed in this consolidated financial statement unless otherwise stated. These consolidated financial statements were prepared for financial year ended 30 June 2019.

3.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Group 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. These consolidated financial statements have been prepared under the historical cost convention. 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.

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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

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

3.1 Basis of preparation (continued)

Statement of compliance (continued)

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

Income and cash flow statements

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

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

The income statement and the cash flow statements are presented for the year ended 30 June 2019.

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

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

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 July 2018. This adoption did not have a material effect on the accounting policies of the Group.

(i) Adopted by the European Union

New standards

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

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

- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 July 2019).*

Amendments

- *Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 July 2019).*

New IFRICs

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

(ii) Not adopted by the European Union

New standards

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

Amendments

- *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 July 2020).*
- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 July 2019).*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 July 2019).*
- *Annual Improvements to IFRSs 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 July 2019)*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 July 2020)*

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

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs

- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(effective date postponed indefinitely).*

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the Company.

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

Financial assets and financial liabilities are recognized on the Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets and liabilities are offset and presented on a net basis in the Consolidated Balance Sheet, only if the Group holds an enforceable legal right of set off for such amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously. In all other instances they are presented gross in the Consolidated Balance Sheet.

In accordance with the transitional guidance, comparative figures have not been restated for prior year other than certain presentation changes. Therefore, the difference between the carrying amount of financial instruments under IAS 39 and the carrying amount under IFRS 9 has been recognized in the opening retained earnings as at date of initial application as of 1 July 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost or fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification is dependent on the business model for managing the financial assets and on whether the cash flows represent solely the payment of principal and interest.

Financial assets and liabilities of the Group are represented by cash and cash equivalents, trade accounts receivable, other financial assets, leases, bank borrowings, bonds issued, trade accounts payable and other financial liabilities.

Cash and cash equivalents carried at amortized cost consists of cash at bank and in hand, bank overdrafts held by the Group and short term bank deposits with a maturity of three months or less from the date of placement

Trade receivables and advances granted are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other payables are stated at amortized cost, which approximates to their fair value given the short term nature of these liabilities. Trade and other payables are noninterest bearing. Debt instruments are initially recorded at fair value, net of transaction costs. Subsequently they are reported at amortized cost.

Financial Guarantee contract – the Group does not issue financial guarantee to third party entities. In relation to the ones issued to Group companies a financial liability is not recognized as no difference in charged cost whether the guarantee is issued or not. Certain Group companies do issue financial guarantees towards financial institutions for guaranteeing financial debt of other Group companies. It has no any financial impact over fair value of this financial debt.

From 1 July 2018 the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The group will apply 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. According 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.

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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**3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

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 Income Statement. 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 Income Statement.

The management estimates credit risk of cash and cash equivalents through an external credit rating of banks.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the counterparty, indicated through unusual or increasingly delayed payments or increase in average credit period taken;
- Evidence that the counterparty is entering bankruptcy or financial re-organization; and
- Observable changes in local or economic conditions.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards to another entity. If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Consolidated Statement of Profit or Loss.

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 July 2018. This adoption did not have a material effect on the accounting policies of the Company, with the exception of the IFRS 9 "Financial Instruments".

As explained below, in accordance with the transition provisions of IFRS 9, the Group has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 was adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39, and the impact of adoption has been recognised in the opening retained earnings.

The following table summarized the impact of adoption of the new standard each individual line item of statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

ARAGVI HOLDING INTERNATIONAL LIMITED

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

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

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

Impact on the statement of financial position

	Balance at 30 June 2018 as previously presented	Effect of adoption of IFRS 9	1 July 2018 under IFRS 9
Available-for-sale financial assets	46	(46)	-
Financial assets at fair value through profit or loss	-	46	46
Trade and other receivables	39,226	(3,350)	35,876
Retained earnings	(187,371)	3,350	(184,021)

The Group has voluntarily changed the presentation of certain amounts in the comparative statement of financial position as disclosed in the table above to reflect the terminology of IFRS 9.

IFRS 15 ‘Revenue from Contracts with Customers’ (IFRS 15) has been issued in May 2014. It establishes single comprehensive model to deal with revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 applies to new contracts created on or after the effective date and to existing contracts that is not yet complete as of the effective date. The Group has undertaken an analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the focus being to understand whether the timing and amount of revenue recognized could differ under IFRS 15. 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 generally 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.

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

3.1 Basis of preparation (continued)

Adoption of new and revised IFRSs (continued)

Starting from 1 July 2018, the Group voluntary changed its accounting policy relating to the classification of distribution expenses charged to its customers. The Group sells products to customers based on different selling terms, which include among other carriage and freight services, storage and dispatch services which are relating to costs incurred to store and prepare goods for delivery and some other distribution services (custom, certification and sanitation services and other services). These services are relating to costs incurred to deliver goods to the customers' indicated locations and consist mostly of services provided by third-parties.

Carriage and freight, storage and dispatch costs and other distribution expenses have been previously presented cumulative as selling and distribution costs. The Group decided to change the accounting policy regarding classification of distribution costs upon analysis of its performance obligations and principal versus agent considerations according to the requirements of the new revenue standard (IFRS 15), adopted by the Group starting from 1 July 2018. More specifically, the Group has identified a separate performance obligation relating to freight and other related services. Furthermore, since the control over promised goods or services is transferred to the customers only upon their receipt of the goods or services, the Group is considered to be a principal in providing freight and other services.

Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the consolidated financial statements is not material for the Group and there is no adjustment to classification of sales or cost of sales or on application at 1 July 2018.

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

The Group has a several non-cancellable operating land lease agreements in Giurgiulesti Free Economic Zone, where the Group's port facilities are located. Related commitments under these agreements amounted to USD 14,147 thousand as at 30 June 2019. IAS 17 'Leases' does not require the recognition of any right-of-use asset or liability for future payments for such land lease agreements, instead, it requires to disclose operating lease commitments in notes to the consolidated financial statements. Based on the Group's assessment these arrangements will meet the definition of a lease under IFRS 16, and thus, the Group will need to recognise a right-of-use asset and a corresponding liability in respect of leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the Group's consolidated financial statements. The Group expects to recognise a right-of-use asset and a corresponding liability in respect of USD 13,220 for the year ended 30 June 2020.

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

3.2 Functional and preparation currency

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

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

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

At the acquisition date, Global Grain International SRL and HeliosAgri International SA had US dollar as functional currency, therefore no translation reserves exists in respect of aforementioned entities.

At 30 June 2019, the official rate of exchange as determined by the National Bank of Moldova was US dollar ("USD"), USD 1 = 18.1452 MDL (30 June 2018: 16.8430) and Euro ("EUR"), EUR 1 = 20.6484 MDL (30 June 2018: 19.5261), USD 1 = 0.9769 CHF (2018: 0.9966), EUR 1 = 1.1117 CHF (30 June 2018: 1.1554), RON 1 = 0.241 USD (2018: 0.2489).

3.3 Going concern

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

3.4 Basis of consolidation

The 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Intra group balances, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

3.4 Basis of consolidation (continued)

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

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

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

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

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

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

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

Following entities are not consolidated:

Entity	Principal Activity	Country of in corporation	Sharehol- ding,%
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	Dormant company	Republic of Moldova	73.22
Boebs-Agro SRL	Dormant company	Republic of Moldova	90.00
Floarea Agrotrans-Service SRL	Dormant company	Republic of Moldova	100.00
OVMK Holding Ltd	Holding company	Cyprus	100.00

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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

3.5 Business Combinations

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

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

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

In the case that identifiable net assets attributable to the Group, after reassessment, exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Holding.

3.6 Goodwill

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

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

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

3.6 Goodwill (continued)

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

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

3.7 Property, plant and equipment

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

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

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

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

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

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

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

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

3.7 Property, plant and equipment (continued)

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

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

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

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

Buildings and constructions, production machinery and equipment, accounted for at revalued amounts, being the fair value, which is determined using management's professional evaluation on a yearly basis. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. 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.

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.

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

3.7 Property, plant and equipment (continued)

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.

3.8 Intangible assets

Trademarks

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

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

3.8 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.

3.9 Financial instruments

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

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

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

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

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

Financial Assets

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

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

3.9 Financial instruments (continued)

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are 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 assets.

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

3.9 Financial instruments (continued)

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.

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.

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

3.9 Financial instruments (continued)

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 debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

For all other financial asset 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 4.1, 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.

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

3.9 Financial instruments (continued)

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.

Financial liabilities

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

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

Offsetting financial instruments

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

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

3.10 Derivative financial instruments

Forward contracts

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

3.11 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. It represents a change in accounting policy, as inventories held for short-term trading purposes, for the year ended 30 June 2018, were stated at the lower of cost or net realisable value. This voluntary change of accounting policy has not been required by a new IFRS; therefore a retrospective application of a new accounting policy is required. Based on an exercise undertaken by the management, a retrospective application of fair value measurement of inventories held for short-term trading purposes would not be material; therefore the comparable figures of inventories, for the year ended 30 June 2018, have not been restated.

Management considers this change will enhance 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.

3.12 Non-current liabilities

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

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

3.13 Shareholders' equity

a) Share capital

Ordinary shares are classified as equity.

b) Preference shares

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

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

3.14 Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

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.

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

3.14 Revenue (continued)

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.

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).

Sale of goods

Sales of goods are recognised at the point in time when the Group satisfies its performance obligation by transferring control over the promised goods to the customer, which is usually when the goods are delivered to the customer, risk of obsolescence and loss have been transferred to the customer and the customer has accepted the goods.

Rendering of services

Revenue from rendering of services is recognised over time while the Group satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Commission income

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

Rental income

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

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

3.14 Revenue (continued)

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.

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 record the in "Other assets" in 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.

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

3.14 Revenue (continued)

The Group recognize 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.

3.15 Current and deferred income tax

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

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

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

3.16 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.

3.17 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.

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

3.18 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.

3.19 Subsequent events

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

3.20 Related parties

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

3.21 Borrowing cost

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

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

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

3.22 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. Comparative information, where necessary, has been adjusted to change the presentation in the current financial year for a better understanding by the users of these consolidated financial statements.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, 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 does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, 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 15 and 16. 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 2019		30 June 2018	
	Variable	Fixed	Variable	Fixed
Assets	-	18,000	-	-
Liabilities	(90,289)	(289,077)	(205,492)	(27,184)

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk

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

Cash and cash equivalents are placed with a limited number of financial institutions. However, risk of loss is remote because the Group has a policy of only using large, creditworthy financial institutions. Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables 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.

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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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

30 June 2019	<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	13,501	2,883	865	1,598	18,847
Bonds issued	-	-	-	289,077	289,077
Borrowings	<u>5,951</u>	<u>29,060</u>	<u>32,631</u>	<u>37,427</u>	<u>105,069</u>
Total	<u>19,452</u>	<u>31,943</u>	<u>33,496</u>	<u>328,102</u>	<u>412,993</u>

30 June 2018	<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	18,316	-	2,650	-	20,966
Borrowings	<u>19,767</u>	<u>124,344</u>	<u>38,647</u>	<u>64,587</u>	<u>247,345</u>
Total	<u>38,083</u>	<u>124,344</u>	<u>41,297</u>	<u>64,587</u>	<u>268,311</u>

d) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the legal department of the Group, as well as by the monitoring controls applied by the Group. The amount of possible contingent penalties to be paid on the transactions identified as non-compliant with legal requirements of the repatriation law of Republic of Moldova are disclosed in Note 29.

ARAGVI HOLDING INTERNATIONAL LIMITED

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

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

The Shareholder monitors gearing at its level. The Group monitors capital on the basis of the gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the balance sheet) less cash and cash equivalents.

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

The 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 2019 and 30 June 2018 was as follows:

	<u>30 June 2019</u>	<u>30 June 2018</u>
Total borrowings (Notes 15 and 16)	394,146	247,345
Less: cash and cash equivalents (Note13)	<u>(75,284)</u>	<u>(26,158)</u>
Net debt	318,862	221,187
Total equity	<u>283,861</u>	<u>242,970</u>
Total capital	<u>602,723</u>	<u>464,157</u>
Gearing ratio	<u>53%</u>	<u>48%</u>

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The following tables show the fair values of financial assets and financial liabilities as at 30 June 2019 and 30 June 2018.

30 June 2019	Level 1	Level 2	Level 3
Non-financial assets			
Property, plant and equipment	-	-	245,862
Total	-		248,962
30 June 2018	Level 1	Level 2	Level 3
Non-financial assets			
Property, plant and equipment	-	-	232,946
Total	-		232,946

ARAGVI HOLDING INTERNATIONAL LIMITED

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value estimation (continued)

30 June 2019	Level 1	Level 2	Level 3
Financial Assets			
Inventories	-	194,072	
Forward Contracts	-	61,754	-
Total	-	255,826	-

30 June 2018	Level 1	Level 2	Level 3
Financial Assets			
Forward Contracts	-	61,029	-
Total	-	61,029	-

30 June 2019	Level 1	Level 2	Level 3
Financial liabilities			
Borrowings	-	-	105,069
Total	-	-	105,069

	Level 1	Level 2	Level 3
30 June 2018			
Financial liabilities			
Borrowings	-	-	247,345
Total	-	-	247,345

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

5.1 Critical accounting estimates and assumptions

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

a. Estimated fair value of property, plant and equipment

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

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

As at 30 June 2019, the group revisited the valuation of HeliosAgri International SA. The initial report was performed in accordance with International Valuation Standards by Winterhill SRL. The value of the crushing plant reached an amount of USD 28'160. After revisiting and applying a more prudent and conservative assumptions for crushing margins and volumes, the value of the plant decreased to USD 16,400.

Last valuation of Property, Plant and Equipment that took place as at 30 June 2017 has been undertaken using Discounted Cash Flows method, where Group's assets have been assessed as being standalone cash generating units. Disposals of Property, Plant and Equipment have to be accompanied by the respective recycle of the relevant surplus of revaluation reserve. However, given the method of valuation and the fact that additions of Property, Plant and Equipment are not revalued, management considers that recycling of revaluation surplus is not fair and do not represent the fair and correct approach. Shall management recycle a proportion of revaluation reserve equal to the disposals of Property, Plant and Equipment; this recycling would not have a material effect over the consolidated financial statements.

Significant assumptions were made relating to projected cash flows, raw materials costs, utilities costs and ROI as described in note 6 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.

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

5.1 Critical accounting estimates and assumptions (continued)

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

- Earnings before Interest Tax and Depreciation (EBITDA) for the 12 months periods ending 30 June 2019 until 30 June 2022 are projected not to be lower than USD 60,317, USD 74,110, USD 83,086 and USD 90,513 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 2019, Group realized an EBITDA of USD 74,560, which is well above the projected USD 60,317. There is no any impact over the value of Property, Plant and Equipment out of this outperformance. The management intends to perform an independent valuation by the year ending 30 June 2020, given new projections of EBITDA and scale of operations.

EBITDA means the Operating Profit:

- Amortisation, depreciation and impairment of assets to the extent such amounts were deducted in computing the Operating Profit;
 - Less any exceptional items to the extent they increase the Operating Profit;
 - Adding back any exceptional items to the extent they decrease the Operating profit;
- Selling and raw material prices for forecasted period were considered to increase per annum at a correlated rate to increase of selling prices for finished products during subsequent financial periods;
 - Net working capital increase considered in line with revenue and selling and general and administrative expenses increase.

b. Tax legislation and income tax

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

c. Related party borrowings

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

Judgement is applied in determining if borrowings are provided at market or non-market interest rates, where there is no active market for similar transactions.

The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

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

5.1 Critical accounting estimates and assumptions (continued)

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 combined consolidated statement of comprehensive income. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly. Where there are litigations in progress, balances are provided accordingly.

e. Write down of inventories

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

f. Impairment of non-financial assets

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

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

5.1 Critical accounting estimates and assumptions (continued)

g. Impairment of intangible asset

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

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

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

The carrying amount of goodwill at 30 June 2019 amounted to USD 48,688 (30 June 2018: USD 48,688). No impairment loss was recognised for the financial years ended 30 June 2019 and 30 June 2018.

i. Useful lives

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

j. Advances for agricultural and farming activity

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

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

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

5.1 Critical accounting estimates and assumptions (continued)

k. Determination of control of subsidiaries and business combination

During financial year ended 30 June 2019, the Group has acquired in a business combination a crushing plant located in Romania. Please refer for more details to Note 1. The assets have been acquired via 2 entities: Global Grain International SRL and HeliosAgri International SA. The acquisition date of both entities is considered to be 29 March 2019, even if formally, Global Grain International SRL has been acquired in August 2018.

During closing of acquisition, management has obtained a revaluation report of the crushing plant, prepared by an independent valuator with a fair value of EUR 24.7 million (USD 28.2 million). For the purpose of these financial statements, management has revisited the underlying assumptions and provided a more conservative and prudent view over the valuation of the crushing plant and obtained a valuation of USD 16.4 million that has been used for the purposes of these financial statements.

l. Fair value of Forward Contracts

The fair value of forward contracts has been identified as at 30 June 2019, 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 2019 and the value at which these contracts are realized.

m. IFRS 15 impact over the financial statements

The Group has applied IFRS 15 Revenue from contracts with customers starting with 1 July 2018. There is no significant difference from prior year accounting policy on revenue recognition under the superseded standard IAS 18 Revenue.

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6 PROPERTY, PLANT AND EQUIPMENT

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

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6 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

	Land, buildings and constructions	Plant, Machinery and equipment	Other fixed assets of non-core activities	Assets in course of construction	Total
As at 30 June 2018					
Net book value	125,454	84,490	11,584	11,418	232,946
Net book amount	<u>125,454</u>	<u>84,490</u>	<u>11,584</u>	<u>11,418</u>	<u>232,946</u>
Year ended 30 June 2019					
Opening net book amount	125,454	84,490	11,584	11,418	232,946
Additions	1,519	3,241	63	4,013	8,836
Disposals	(2)	(790)	(727)	(741)	(2,260)
Transfers	5,626	6,580	1,080	(13,286)	-
Additions coming from acquisition of Romanian crushing plant	540	15,691	19	-	16,250
Depreciation charge	<u>(6,524)</u>	<u>(2,909)</u>	<u>(477)</u>	<u>-</u>	<u>(9,910)</u>
Closing net book amount	<u>126,613</u>	<u>106,303</u>	<u>11,542</u>	<u>1,404</u>	<u>245,862</u>

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The property, plant and equipment were re-valued on 30 June 2017. Next valuation will be done by the year ending 30 June 2020.

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

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

The composition of the main assets is as follows:

Name & Location	Fair value 30 June 2017
Trans Cargo - Giurgiulesti	44,330
Trans Bulk - Giurgiulesti	7,685
Elevator Anengrain - Anenii Noi	2,180
Transoil - Ceadir Lunga	28,600
Elevator Prut - Cantemir	3,170
Elevator Flograin - Floresti	1,280
Elevator Unco Cereale - Unchitesti	2,895
Elevator Agro Floris Nord - Rogojeni	1,870
Floarea Soarelui - Balti	54,090
Elevator Ulei Nord - Otaci	6,170
Exchange points	3,840
Elevator Kelly Grains 1+2 Causeni	18,040
Elevator Molgranum - Donduseni	4,100
Elevator Cereale Prut - Ungheni	5,800
Aur Alb - Ceadir Lunga	5,600
Elevator Iargara - Iargara	5,140
Elevator Molgranum - Greceni	4,890
Reniyskiy Elevator – Reni	20,190
Reni-Line – Reni	9,920
FFA Trans Oil – Chisinau	7,313
Other	88
	<u>237,191</u>

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

The following significant assumptions were applied:

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

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

	<u>Land, buildings and constructions</u>	<u>Plant, machinery and equipment</u>	<u>Other fixed assets of non-core activities</u>	<u>Assets in course of construction</u>	<u>Total</u>
As at 30 June 2019					
Cost	47,313	43,829	1,331	19,281	111,754
Accumulated depreciation	(13,789)	(22,843)	(653)	-	(37,285)
Net book amount	<u>33,524</u>	<u>20,986</u>	<u>678</u>	<u>19,281</u>	<u>74,469</u>
As at 30 June 2018					
Cost	45,294	37,688	1,087	12,168	96,237
Accumulated depreciation	(12,330)	(20,725)	(517)	-	(33,572)
Net book amount	<u>32,964</u>	<u>16,963</u>	<u>570</u>	<u>12,168</u>	<u>62,665</u>

As of the date of the present consolidated financial statements, main assets of the Group, as described above, were pledged to Note holders (please refer to Note 16 for more information).

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

7 INTANGIBLE ASSETS

	<u>Goodwill</u>	<u>Brands</u>	<u>Computer software</u>	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Total</u>
As at 30 June 2017						
Cost	48,688	1,791	127	24	65	50,695
Accumulated depreciation	<u>-</u>	<u>(30)</u>	<u>(120)</u>	<u>(10)</u>	<u>(18)</u>	<u>(178)</u>
Net book amount	48,688	1,761	7	14	47	50,517
Year ended 30 June 2018						
Opening net book amount						
	48,688	1,761	7	14	47	50,517
Additions	-	-	18	-	4	22
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Depreciation charge	<u>-</u>	<u>(1)</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(23)</u>
Closing net book amount	48,688	1,760	3	14	51	50,516
As at 30 June 2018						
Cost	48,688	1,791	145	24	69	50,717
Accumulated depreciation	<u>-</u>	<u>(31)</u>	<u>(142)</u>	<u>(10)</u>	<u>(18)</u>	<u>(201)</u>
Net book amount	48,688	1,760	3	14	51	50,516
Year ended 30 June 2019						
Opening net book amount						
	48,688	1,760	3	14	51	50,516
Additions	-	-	242	-	65	307
Disposals	-	-	(7)	-	(60)	(67)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Depreciation charge	<u>-</u>	<u>(1)</u>	<u>(44)</u>	<u>-</u>	<u>-</u>	<u>(45)</u>
Closing net book amount	48,688	1,759	194	14	56	50,711
As at 30 June 2019						
Cost	48,688	1,791	380	24	74	50,957
Accumulated depreciation	<u>-</u>	<u>(32)</u>	<u>(186)</u>	<u>(10)</u>	<u>(18)</u>	<u>(246)</u>
Net book amount	48,688	1,759	194	14	56	50,711

ARAGVI HOLDING INTERNATIONAL LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

7 INTANGIBLE ASSETS (CONTINUED)

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

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

As of 30 June 2019, no impairment of goodwill was identified. The recoverable amount was estimated based on the value in business valuation model used for the identification of the net assets of the entities owned by Visions Holding and Stareverest as of date of in-kind contribution of the shares of Visions Holding and Stareverest for the subscription of the on shares of the Company.

The Group's key intellectual properties are the trademarks used in the bottled oil segment. The Group owns 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".

8 FORWARD CONTRACTS

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

Forward contracts	<u>30 June 2019</u>	<u>30 June 2018</u>
Forward contracts at fair value	<u>61,754</u>	<u>61,029</u>
	<u>61,754</u>	<u>61,029</u>

ARAGVI HOLDING INTERNATIONAL LIMITED

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

8 FORWARD CONTRACTS (CONTINUED)

During financial year 2019, the Group entered into several agreements with farmers in Republic of Moldova for supply of commodities. The farmers cultivate wheat, corn, sunflower seeds, barley and rape seeds on the area of circa 129'000 ha. The Group is entitled to receive all commodities harvested out of those lands.

The Group recognized a loss of USD 725 (2018: 275) from the forward contracts of previous year as a result of change in contractual terms and conditions of deliveries.

9 INVENTORIES

	<u>30 June 2019</u>	<u>30 June 2018</u>
Own production	1,397	2,632
Cereals purchased for resale	188,945	108,021
Spare parts	720	398
Packing materials	357	253
Raw materials for agricultural products	66	66
Other inventories	<u>2,587</u>	<u>2,160</u>
	<u><u>194,072</u></u>	<u><u>113,530</u></u>

Own production is made by the following:

	<u>30 June 2019</u>	<u>30 June 2018</u>
Crude vegetable oil	961	1,969
Sunflower meal	-	29
Bottled vegetable oil	396	156
Other cereals	<u>40</u>	<u>478</u>
	<u><u>1,397</u></u>	<u><u>2,632</u></u>

Cereals purchased for resale are made up as follows:

	<u>30 June 2019</u>	<u>30 June 2018</u>
Wheat	17,149	16,345
Barley	12,181	2,314
Sunflower	101,448	48,876
Corn	17,027	13,773
Other cereals	2,811	503
Soya	17,796	14,146
Peas	52	-
Rape	11,791	1,420
Crude vegetable oil	8,631	10,617
Sunflower meal	<u>59</u>	<u>27</u>
	<u><u>188,945</u></u>	<u><u>108,021</u></u>

ARAGVI HOLDING INTERNATIONAL LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

9 INVENTORIES (CONTINUED)

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

As of the date of the present consolidated financial statements, a part 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.

10 TRADE RECEIVABLES AND ADVANCES GIVEN

	<u>30 June 2019</u>	<u>30 June 2018</u>
Trade receivables	26,974	17,772
Advances to suppliers	64,917	13,707
Receivables from related parties (Note 27)	1,258	6,837
Receivables from the State budget	2,771	2,092
Receivables from employees	740	771
Other account receivables	3,090	5,746
Less: Credit loss allowance under IFRS 9	<u>(13,022)</u>	<u>(7,699)</u>
	<u><u>86,728</u></u>	<u><u>39,226</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.

Advances to suppliers significantly increased due to availability of working capital to be deployed for guaranteed acquisition of agricultural commodities and benefits of the lowest prices through the year.

The amount of value added tax ('VAT') receivable included in the Receivables from the State budget amounts to USD 2,458 (30 June 2018: USD 1,705). This amount is applicable for the refund from the Government as well as there is a possibility to net off the amount with VAT inland sales.

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

	<u>30 June 2019</u>	<u>30 June 2018</u>
Balance as at 1 July	(7,699)	(7,475)
Less: Credit loss allowance under IFRS 9 for previous periods	(3,350)	-
Less: Credit loss allowance under IFRS 9 for current period	(1,001)	(72)
Exchange rate differences	<u>(972)</u>	<u>(152)</u>
Balance at financial period ending as at	<u><u>(13,022)</u></u>	<u><u>(7,699)</u></u>

ARAGVI HOLDING INTERNATIONAL LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

10 TRADE RECEIVABLES AND ADVANCES GIVEN (CONTINUED)

The balance of the receivables from personnel represent the amounts provided to the directors of the companies to fulfil acquisitions of the commodities from the small farmers and as of 30 June 2019 the balance of such amounts is USD 740 (30 June 2018: USD 771).

The group recognized an amount of USD 3,350 as expected credit losses (ECL) as of 1 July 2018 following the guidance of IFRS 9. The charge for the year ended 30 June 2019 following the ECL model was USD 759. Other USD 242 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 2019</u>	<u>30 June 2018</u>
MDL	1,986	1,291
USD	27,844	22,048
EUR	<u>234</u>	<u>179</u>
	<u><u>30,064</u></u>	<u><u>23,518</u></u>

**11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER PROFIT AND LOSS (2018:
AVAILABLE FOR SALE FINANCIAL ASSETS)**

	<u>30 June 2019</u>	<u>30 June 2018</u>
Balance as at 1 July	46	46
Write-offs during the financial year (Note 22)	<u>(46)</u>	<u>-</u>
Balance at financial period ending as at	<u><u>-</u></u>	<u><u>46</u></u>

12 ADVANCES GIVEN

During financial year 2016, Group has provided and reclassified some advances to Danube Logistics SRL for the long-term rent of several plots of land in Giurgiulesti Free Economic Zone, so as to match their maturity to the contracts' terms. The advance granted is classified as long-term advances:

	<u>30 June 2019</u>	<u>30 June 2018</u>
Advances given for acquisition of fixed assets	3,100	-
Advances given for long-term rent	<u>1,788</u>	<u>1,849</u>
	<u><u>4,888</u></u>	<u><u>1,849</u></u>

In June 2019, the Group granted an advance in amount of USD 3,100, which represents 50% of total price of USD 6,200, for 100 railcars to be delivered by December 2019.

ARAGVI HOLDING INTERNATIONAL LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	30 June 2019	30 June 2018
Cash at banks in foreign currencies	2,945	664
Cash in transit	43	46
Cash in USD	54,244	25,392
Restricted cash (DSRA)	18,000	-
Cash in hand	<u>52</u>	<u>56</u>
	<u><u>75,284</u></u>	<u><u>26,158</u></u>

The group has placed an amount of USD 18,000 with Citibank as debt service reserve account (DSRA), representing half-year coupon payment for the bonds issued in April 2019. The amount is restricted for the only purpose of paying the coupon semi-annually to noteholders as of ex-coupon dates on 9 October and 9 April, first payment being scheduled for 9 October 2019, last one on 9 April 2024. Refer to Note 16 for more information.

14 SHARE CAPITAL

	30 June 2019		30 June 2018	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	12,572	18	11,000	14
Unsubscribed ordinary shares	-	-	1,221	1
Share premium	-	20,437	-	265
Redeemable preference shares	-	<u>-</u>	1	<u>1</u>
		<u><u>20,455</u></u>		<u><u>281</u></u>

In June 2019, International Finance Corporation (“IFC”) being a redeemable preference shareholder of 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 has 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 (Note 24) and other commissions totalled USD 20,175 has been agreed by the parties to be the subscription or consideration amount.

ARAGVI HOLDING INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

15 BORROWINGS

	<u>30 June 2019</u>	<u>30 June 2018</u>
Non-current		
Bank borrowings	22,759	49,667
Loan from related party (Note 27)	14,169	14,169
Other financial liabilities	-	252
Other commercial loans	<u>499</u>	<u>499</u>
	<u>37,427</u>	<u>64,587</u>
Current		
Bank borrowings	59,442	182,595
Bonds accrued interest	8,200	-
Other financial liabilities	-	141
Other commercial loans	<u>-</u>	<u>22</u>
	<u>67,642</u>	<u>182,758</u>

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

	<u>Year ended 30 June 2019</u>	<u>Year ended 30 June 2018</u>
6 months or less	67,642	169,937
6-12 months	-	12,821
1-5 years	26,048	49,313
Over 5 years	<u>11,379</u>	<u>15,274</u>
	<u>105,069</u>	<u>247,345</u>

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

	<u>30 June 2019</u>	<u>30 June 2018</u>
USD	82,310	227,951
EUR	<u>22,759</u>	<u>19,394</u>
	<u>105,069</u>	<u>247,345</u>
	<u>30 June 2019</u>	<u>30 June 2018</u>
Total bank loans	82,201	232,262
Other financial liabilities	8,200	393
Other commercial loans	499	521
Loan from related party	<u>14,169</u>	<u>14,169</u>
Total	<u>105,069</u>	<u>247,345</u>

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are in thousands U.S. dollars (USD), unless otherwise stated)

15 BORROWINGS (CONTINUED)

Split of Group's loans and borrowings by nominal interest rates as of 30 June 2019:

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	22,911	36,705	45,453	-	105,069

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

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

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

16 BONDS ISSUED

	<u>30 June 2019</u>	<u>30 June 2018</u>
Secured senior notes	300,000	-
Less: Unamortized debt issue costs	<u>(10,923)</u>	<u>-</u>
	<u><u>289,077</u></u>	<u><u>-</u></u>

In April 2019 the Group issued USD 300,000 thousand secured notes ('the Notes') that will mature on 9 April 2024. The Notes coupon started to accrue from 9 April 2019 at the rate of 12.00% per annum payable semi-annually in arrears on 9 April and 9 October each year commencing from 9 October 2019.

As of 30 June 2019, accrued interest on bonds issued was USD 8,200 thousand and has been included into Borrowings caption. Total issue costs were USD 13'654. The amortized part of 20% of the issue costs or USD 2,731 have been expensed to consolidated statement of comprehensive income (Note 24), while the unamortized part of USD 10,923 is kept within the balance of bonds issued.

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.

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16 BONDS ISSUED (CONTINUED)

The Notes may be redeemed in whole, but not in part, at the option of the Issuer at a price equal to 100 per cent of their principal amount, plus accrued and unpaid interest to the redemption date, in case of specified taxation event. The Notes could be redeemed at any time, at the option of the Issuer, up to 35 per cent of the principal aggregate amount of the Notes at redemption price of 112.00 per cent of their principal amount, plus accrued and unpaid interest to the redemption date.

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

17 TRADE AND OTHER PAYABLES

	<u>30 June 2019</u>	<u>30 June 2018</u>
Trade payables	3,769	2,973
Advances received	12,935	14,184
Payroll and social insurance payable	404	1,284
Taxes and other payables	1,678	2,525
Due to related parties (Note 27)	<u>61</u>	<u>-</u>
	<u><u>18,847</u></u>	<u><u>20,966</u></u>

18 REVENUE

	<u>30 June 2019</u>	<u>30 June 2018</u>
Sales of grains and seeds	429,385	287,083
Sales of vegetable oil	87,423	135,144
Sales of oil meal	18,448	20,607
Sales of packed vegetable oil	6,125	8,770
Port, Storage, Cleaning and Drying Services	8,688	4,549
Sale of other products	<u>2,257</u>	<u>1,825</u>
	<u><u>552,326</u></u>	<u><u>457,978</u></u>

ARAGVI HOLDING INTERNATIONAL LIMITED

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19 COST OF SALES

	<u>30 June 2019</u>	<u>30 June 2018</u>
Opening stocks (Own production and Cereals purchased for resale)	110,653	95,292
Purchases of goods for resale	508,133	361,553
Closing stocks (Own production and Cereals purchased for resale)	<u>(190,342)</u>	<u>(110,653)</u>
	<u>428,444</u>	<u>346,192</u>
Depreciation	5,634	5,376
Water gas and electricity	457	356
Wages and salaries	1,781	1,471
Consumables	105	31
Transportation	45	25
Packing materials	136	17
Social contributions	364	367
Port services	836	780
Rent	815	837
Fuel	238	308
Maintenance	167	113
Materials	86	34
Other expenses	<u>433</u>	<u>961</u>
	<u>439,541</u>	<u>356,868</u>

20 SELLING AND DISTRIBUTION

	<u>30 June 2019</u>	<u>30 June 2018</u>
Freightage expenses	17,631	16,725
Transportation	5,914	7,981
Railroad expenses	4,376	4,932
Wages and salaries	506	511
Credit loss allowance under IFRS 9	1,001	72
Inspections and surveys	2,130	1,996
Other commercial services	864	1,081
Certification and expertise	345	449
Custom duties	121	122
Packing expenses	148	245
Loading expenses	2,781	2,987
Depreciation	1,813	1,658
Storage Services	411	144
Marketing services	23	37
Social contributions	120	141
Other Selling and Distribution expenses	<u>287</u>	<u>75</u>
	<u>38,471</u>	<u>39,156</u>

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

21 ADMINISTRATIVE EXPENSES

	<u>30 June 2019</u>	<u>30 June 2018</u>
Wages and salaries	4,140	3,217
Bank expenses	475	44
Social contributions	1,314	959
Taxes	144	247
Legal and consulting expenses	1,077	908
Entertainment and representation expenses	99	80
Depreciation	685	643
Audit fees	212	157
Maintenance	263	205
Rent	514	261
Telephone and postage	187	263
Survey expenses	289	298
Fuel	211	121
Insurance expenses	88	238
Travelling and accommodation	603	392
Notary's fees	27	11
Amortization of intangible assets	45	23
Other administrative expenses	<u>341</u>	<u>485</u>
	<u><u>10,714</u></u>	<u><u>8,552</u></u>

22 OTHER (GAINS) / LOSSES – NET

	<u>30 June 2019</u>	<u>30 June 2018</u>
Bargain purchase Romanian assets	(4,452)	-
Loss / (gain) on disposal of fixed assets	(936)	(290)
Write off of financial assets at FVTPL (Note 11)	46	-
Depreciation	1,778	1,712
Rent expenses	198	299
Inventory write off	122	548
Fines and claims	195	261
Tax expenses	22	8
Profit from sale of other inventories	(192)	(106)
Wages and salaries	423	158
Social contributions	20	9
Repair and maintenance	113	450
Other expenses	<u>197</u>	<u>484</u>
	<u><u>(2,466)</u></u>	<u><u>3,533</u></u>

23 OTHER INCOME

	<u>30 June 2019</u>	<u>30 June 2018</u>
Rental income	-	4
Gain from write off of expired trade payables	1,496	806
Stock count surplus	578	135
Customers Demurrage	94	51
Transportation and other services	505	18
Other operating income	<u>317</u>	<u>45</u>
	<u><u>2,990</u></u>	<u><u>1,059</u></u>

ARAGVI HOLDING INTERNATIONAL LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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24 NET FINANCE (INCOME) / COSTS

	<u>30 June 2019</u>	<u>30 June 2018</u>
Interest expenses	18,002	17,318
Loan Commissions	2,338	4,462
Bank Commissions	2,452	2,766
Interest on bonds issued	8'200	-
Amortization of bonds issued costs (Note 16)	2,731	-
Oaktree exit fee (Note 14)	727	-
IFC loan commission amortization	211	203
Net foreign exchange difference	<u>(230)</u>	<u>(437)</u>
	<u><u>34,431</u></u>	<u><u>24,312</u></u>

Oaktree exit fee refers to the payment the Group was liable to once it repays or converts the loan of Oaktree Capital Management LP via its vehicle Cooperstown SARL. Please refer to Note 14 for more details regarding the transaction.

25 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 0 % and 3% tax rate applicable for all types of income according to the special law of "Free trade zone Giurgiulesti" (article 7 and 8).

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

	<u>30 June 2019</u>	<u>30 June 2018</u>
Profit / (loss) before taxation	34,625	26,616
Expenses not deductible for tax purposes	<u>-</u>	<u>-</u>
Total taxable income	34,625	26,616
Tax charge at effective statutory rate of 1.5%-12% (2018: 1.5%-12%)	(620)	(499)
Deferred income tax expense reported in the income statement	<u>(2,189)</u>	<u>-</u>
Income tax expense	<u><u>(2,809)</u></u>	<u><u>(499)</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 2018	<u>13,488</u>
- Movement for FY2019 due to Moldovan operations	649
- Movement for FY2019 due to Swiss operations	1,416
- Movement for FY2019 due to Ukrainian operations	4,741
- Movement for FY2019 due to Romanian operations	<u>1,529</u>
Deferred tax liability as of 30 June 2019	<u><u>21,823</u></u>

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26 EMPLOYEE BENEFIT EXPENSE

Contributions are made to the government's retirement benefit scheme at the statutory rates in force during the year based on gross salary payments. The cost of social security payments is charged to the income statement in the same period as the related salary cost. There are no other employee benefits. The cost of social security and other funds payments for financial year ended 30 June 2019 amounted to USD 2,198 (30 June 2018: USD 1,999).

	<u>30 June 2019</u>	<u>30 June 2018</u>
Wages and salaries	8,228	7,448
Social insurance costs and other funds	<u>2,198</u>	<u>1,999</u>
	<u>10,426</u>	<u>9,447</u>

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

27 RELATED - PARTY TRANSACTIONS

The ultimate controlling party as of 30 June 2019 and during the financial year 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 in corporation
Vaja Jhashi	Shareholder	n/a
Delta Commodities & Financial Services SA (DCFS)	Relationship via the shareholder	Switzerland
Silcamps-Sud SRL	Relationship via the relatives of the one of management of Aragvi	Moldova
Floarea International SRL	Relationship via the DCFS	Romania

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27 RELATED - PARTY TRANSACTIONS (CONTINUED)

Balances with related parties

	<u>30 June 2019</u>	<u>30 June 2018</u>
(i) Advances and accounts receivable (Note 10)		
Mr.Vaja Jhashi (shareholder)	1,049	1,858
Floarea International SRL	-	4,400
Delta Commodity & Financial Services SA	-	22
Silcampes-Sud SRL (other related party)	<u>209</u>	<u>557</u>
	<u><u>1,258</u></u>	<u><u>6,837</u></u>
	<u>30 June 2019</u>	<u>30 June 2018</u>
(ii) Advances and accounts payables (Note 17)		
Floarea International SRL	53	-
Delta Commodity & Financial Services SA	<u>8</u>	<u>-</u>
	<u><u>61</u></u>	<u><u>-</u></u>
	<u>30 June 2019</u>	<u>30 June 2018</u>
(iii) Loan from related party (Note 15)		
Mr.Vaja Jhashi (shareholder)	<u>14,169</u>	<u>14,169</u>
	<u><u>14,169</u></u>	<u><u>14,169</u></u>

The loan is non-interest bearing and matures in May 2024. Also, the loan is subordinated to note holders (Note 16) and to several financial institutions providers of trade finance facilities to the Group.

Key management compensation for the year ended as at 30 June 2019 amounts to USD 755 (30 June 2018: USD 791).

28 CONTINGENCIES AND COMMITMENTS

Covenants

The Group has different set of covenants to respect with their lenders. Based on 30th of June 2019 financial statements, the Group fulfilled all covenants requirements and were in no breach of financial covenants.

Taxation

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

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

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

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.

29 OPERATING ENVIRONMENT AND CONTINGENT LIABILITIES

Operating Environment

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

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29 OPERATING ENVIRONMENT AND CONTINGENT LIABILITIES (CONTINUED)

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

Contingent liabilities

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

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

Operating lease commitments

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

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

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

	<u>30 June 2019</u>	<u>30 June 2018</u>
Within one year	925	925
Between one and five years	4,824	4,825
After five years	<u>8,398</u>	<u>9,323</u>
	<u><u>14,147</u></u>	<u><u>15,073</u></u>

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30 ENTITIES UNDER COMMON CONTROL WHICH ARE NOT CONSOLIDATED

The Group has investment in entities which are not consolidated.

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

31 PLEDGED ASSETS

The Group's main assets are pledged to the note holders. Please refer to Note 16 and Note 27 (iii) for more information.

32 GOING CONCERN

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

33 ACCOUNTING POLICIES UP TO 30 JUNE 2018

Accounting policies applicable to the comparative period ended 30 June 2018 that were amended by IFRS 9 and IFRS 15, are as follows.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Sale of goods**

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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33 ACCOUNTING POLICIES UP TO 30 JUNE 2018 (CONTINUED)

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

- Available-for-sale financial assets

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

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

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33 ACCOUNTING POLICIES UP TO 30 JUNE 2018 (CONTINUED)

Derecognition of financial assets and liabilities

Financial assets

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

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

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.

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34 SUBSEQUENT EVENTS

New Credit Facilities

On 24 September 2019, the Group has signed a syndicated loan, divided into two Tranches:

Tranche	Interest rate, %	Maturity date	Amount, USD
Tranche A	4.25+6M LIBOR	1 August 2020	115,000
Tranche B	4.75+6M LIBOR	1 August 2021	35,000
Total Tranches A and B			150,000

The disbursement date of this syndicated loan is 30 September 2019.

Tranche A maturity, upon approval of all parties, can be extended until 1 August 2021.

Syndicated loan includes several banks that act together as creditor as follows:

- ING Bank N.V. USD 30,000
- European Bank for Reconstruction and Development USD 30,000
- Unicredit Bank Austria USD 22,500
- FMO USD 15,000
- Black Sea Trade and Development Bank USD 20,000
- Mobiasbanca – OTP Group USD 10,000
- FIM Bank – USD 7,500
- Banque Cantonale Vaudoise USD 7,500
- OTP Group USD 7,500