

AST GROUP P.L.C

C 66811

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD

1 JANUARY 2018 TO 30 JUNE 2018

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**DIRECTORS' REPORT PURSUANT OF PROSPECTS RULE 4.11.12
FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018**

This Half-Yearly Report is being published in terms of Chapter 4 of the Prospects Rules of the Malta Stock Exchange and the Prevention of Financial Markets Abuse Act, 2005. The Half-Yearly Report comprises the audited condensed consolidated interim financial statements for the six months ended 30 June 2018 prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial statements have been audited in accordance with the International Standards on Auditing. The comparative statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2017.

The Directors present their report of the Group for the interim period ended 30 June 2018. The Group comprises the Company ("AST Group Plc") and its four subsidiaries: Damask Investment Limited, AST Shipping Limited, Damask Shipping Management Company Limited and Damask Chartering Limited.

Principal Activities

AST Group p.l.c. was converted to a public limited liability company on 14 October 2017. The principal activity of the Group is to trade in animal feed as well as it operate M/V "AST Malta" to distribute the Group's animal feed or charter her out to third parties.

Review of business and results

In February the Group issued €1.8million unsecured bonds on Prospects MTF. €1.4 million of the bond proceeds were utilised to acquire M/V AST Malta in April 2018 to support the Group's strategy to vertically integrate its animal feed operations and expand into the logistics business. The remaining €0.4 million of the bond proceeds were utilised to undergo dry docking and further its animal feed business. On 1 May 2018 M/V AST Malta began its first voyage for the Group whereby it transported 3,000 tonnes of DDGS from Constanta, Romania to Larnaca, Cyprus. M/V AST Malta successfully completed dry docking in Constanta Romania, in August 2018.

Total revenue for the period under review totalled €6.4 million, an increase of 85% over the previous period (January to June 2017: €3.5 million). The increase in revenue was principally due to an increase in volumes sold and the introduction of a new product in relation to the animal feed business, as well as chartering of M/V AST Malta.

Although gross profit increased from €234k between January to June 2017 to €330k between January to June 2018, gross profit margin decreased to 5.2% between January to June 2018 (January to June 2017: 6.7%). This decrease in margin was principally due to tighter margins in the animal feed business and as well as the introduction of shipping related expenses (e.g. crew, fuel etc). Despite this, the Group generated a profit before tax of €42k for the six months period ended 30 June 2018.

No interim dividends are being proposed.

Approved by the board of directors on 22 August 2018 and signed on its behalf by:



Dr Luca Vella
Director



Mr William Wait
Director

Registered Office:
31,32,33 Third Floor
Kingsway Palace
Republic Street
Valletta VLT 1115
Malta

**DIRECTORS' STATEMENT
FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018**

Statement by Directors on the interim financial statements and other information included in the interim consolidated report

We hereby confirm that to the best of our knowledge:

*The condensed consolidated interim financial statements give a true and fair view of the financial position of the Group as at 30 June 2018, and of its financial performance and cash flows for the six month period then ended in accordance with IAS34, "Interim Financial Reporting"; and

*The Interim Directors' Report includes a fair review of the information required in terms of prospects rule 4.11.12.



Dr Luca Vella
Director
22 August 2018



Mr William Wait
Director
22 August 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AST Group P.L.c Report on the Audit of the Interim Consolidated Report for the period ended 30 June 2018

Report on the Audit of the Financial Statements

Opinion

I have audited the interim consolidated financial statements of AST Group P.L.c set out on pages 5 to 21, which comprise the interim Consolidated Statement of Financial Position as at 30 June 2018, the interim Consolidated Statement of Comprehensive Income statement, interim Consolidated Statements of Changes in Equity, interim Consolidated Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 30 June 2018 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the Schedule accompanying and forming an integral part of those Regulations (IFRS) and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386) which permits compliance with International Financial Reporting Standards as adopted by the European Union.

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 Financial Statements section of our report. We are independent of the Company and 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 financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, 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.

Information other than the Financial Statements and the Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the information in the directors report and in the statement of directors' responsibilities but does not include the financial statements and our auditor's report thereon. My opinion on the financial statements does not cover this information, and I do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

In accordance with the requirements of the article 179(3) of the Companies Act (Cap.386) in relation to the Directors' report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the applicable legal requirements

In the light of the knowledge and understanding of the company and the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

To the Shareholders of AST Group P.L.C Report on the Audit of the Interim Consolidated Report for the period ended 30 June 2018

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 Company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) I am required to report to you if, in my opinion:

- I have not received all the information and explanations I require for my audit.
- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches not visited by me.
- The financial statement are not in agreement with the accounting records and returns.

I have nothing to report to you in respect of these responsibilities.



Silvio Muscat
Certified Public Accountant

Flat 1, 63c
B'Kara Road
St Julians - Malta

22 August 2018

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period 1 January 2018 to 30 June 2018

		01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
	Note		
Revenue	13	6,395,137	3,494,354
Cost of sales	14	(6,064,705)	(3,260,169)
Gross Profit		330,432	234,185
Other income	15	-	480
Selling and distribution expenses	14	(12,409)	(10,045)
Administration expenses	14	(165,392)	(125,019)
Operating profit		152,631	99,601
Finance costs	16	(110,375)	(15,027)
Profit before tax		42,257	84,574
Taxation	17	(40,638)	(36,381)
Profit after tax		1,619	48,193

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

		30.06.2018	31.12.2017
		€	€
Assets			
	Note		
Non-current Assets			
Deferred expenditure	3	-	26,513
Property, plant and equipment	4	1,402,452	7,448
Deferred tax assets	5	8,911	11,529
Total Non-Current Assets		1,411,362	45,490
Current Assets			
Inventories	6	1,094,298	1,015,444
Trade and other receivables	7	3,083,325	2,444,279
Cash and cash equivalents	8	488,892	292,784
Total Current Assets		4,666,515	3,752,508
Total Assets		6,077,877	3,797,998
Equity and Liabilities			
Equity			
Share capital	9	50,000	50,000
Retained earnings		564,328	562,708
General purpose reserve	19	582,044	582,044
Other reserves		160,204	160,204
Shareholder's balance	19	112,245	112,245
		1,468,821	1,467,201
Non-Current liabilities			
Borrowings	10	1,743,912	-
Current liabilities			
Borrowings	11	737,511	718,954
Trade and other payables	12	2,055,635	1,521,481
Current tax liabilities		71,998	90,361
Total Current Liabilities		2,865,144	2,330,797
Total liabilities		4,609,056	2,330,797
Total Equity and Liabilities		6,077,877	3,797,998

The notes on pages 9 to 18 form part of these financial statements.

The financial statements on pages 5 to 8 were authorised for issue by the Board of Directors on 22 August 2018 and signed on its behalf by:


 Dr Luca Vella
 Director


 Mr William Wait
 Director

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018

	Share Capital €	Retained Earnings €	Other Reserves €	General Purpose Reserve €	Shareholder's balance €	Total €
Balance as at 1 January 2017	233	382,175	160,204	312,044	32,245	886,901
Comprehensive income for the period	-	51,320	-	-	-	51,320
	<u>233</u>	<u>433,495</u>	<u>160,204</u>	<u>312,044</u>	<u>32,245</u>	<u>938,219</u>
<i>Transactions with owners</i>						
Deposit in general purpose reserve		-	-	270,000	-	270,000
Capitalisation of shareholder's balance	-	-	-	-	80,000	80,000
	<u>233</u>	<u>433,495</u>	<u>160,204</u>	<u>582,044</u>	<u>112,245</u>	<u>1,288,219</u>
Balance as at 30 June 2017	<u>233</u>	<u>433,495</u>	<u>160,204</u>	<u>582,044</u>	<u>112,245</u>	<u>1,288,219</u>
Balance as at 31 December 2017	50,000	562,709	160,204	582,044	112,245	1,467,202
Comprehensive income for the period	-	1,619	-	-	-	1,619
	<u>50,000</u>	<u>564,328</u>	<u>160,204</u>	<u>582,044</u>	<u>112,245</u>	<u>1,468,821</u>
Balance as at 30 June 2018	<u>50,000</u>	<u>564,328</u>	<u>160,204</u>	<u>582,044</u>	<u>112,245</u>	<u>1,468,821</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the period 1 January 2018 to 30 June 2018

		01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
	Note		
Cash flows from operating activities			
Operating profit for the period		152,631	99,601
Adjustment for:			
Depreciation on property, plant and equipment		19,744	2,281
Amortisation of bond issue costs		3,888	-
Operating profit and loss before working capital changes		176,263	101,882
<i>Movement in Working Capital</i>			
Movement in inventories		(78,853)	(889,808)
Movement in trade and other receivables		(711,651)	642,901
Movement in trade and other payables		488,595	269,567
Cash generated from operations		(125,646)	124,542
Net finance cost		(64,816)	(15,027)
Income tax paid		(56,383)	(39,143)
Net cash (used in)/generated from operating activities		(246,845)	70,372
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,414,747)	(5,054)
Net cash used in investing activities		(1,414,747)	(5,054)
Cash flows from financing activities			
Proceeds from bond issue		1,835,000	-
Movement in related party balances		72,605	-
Bond issuance costs		(68,464)	-
Movement from borrowings		18,557	(136,786)
Net cash generated from/(used in) financing activities		1,857,698	(136,786)
Net increase/(decrease) in cash and cash equivalents		196,107	(71,468)
Cash and cash equivalents at the beginning of the period		292,785	334,628
Cash and cash equivalents at the end of period	8	488,892	263,160

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

1. Summary of significant accounting policies

1.1 Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements are prepared in accordance with the historical cost convention, except for investment property and available-for-sale investments which are measured at fair values as explained in accounting policies below.

1.2 Basis of consolidation

The consolidated interim financial statements incorporate the financial statements of AST Group p.lc (Company) and its subsidiaries which include branches situated in several jurisdictions across the European region. Subsidiaries are entities controlled by the Company. Control is achieved where the Company has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1.3 Functional and presentation currency

The financial statements are presented in Euro, which is the company's and group's functional and presentation currency.

The principal accounting policies are set out below:

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is recognised upon delivery of products or performance of services, net of sales taxes and trade discounts. Interest income is recognised on a time proportional basis. Dividend income is recognised when the right to receive the payment is established.

1.5 Property, plant and machinery

Items of property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognised net within "Other income" in the statement of comprehensive income. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Depreciation is calculated to write off the cost or valuation of the assets on the straight line method from the date of acquisition and over the expected useful lives of the assets concerned. The useful lives of the assets are the following:

Vessel	10 years
Furniture and Fittings	10 years
Office equipment	4 years

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

1.6 Financial Assets

Long term investments and long term receivables are classified as financial assets. In the company's financial statements, subsidiaries are accounted for by the cost method of accounting. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. The results of subsidiary undertakings in the company's financial statements are reflected in these financial statements only to the extent of dividend receivable.

Other long term investments are classified as available-for-sale investments. Available-for-sale investments are investments intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale investments are initially recognised at cost including all transaction costs. These are subsequently carried at fair value. Unrealised gains and losses arising from the changes in fair value of available-for-sale investments are taken to equity in the period in which they arise. The fair value of publicly traded available-for-sale securities is based on the quoted market prices at balance sheet date. On disposal, the related accumulated fair value adjustment is included in the statement of comprehensive income.

1.7 Trade and other receivables

Trade and other receivables are carried forward at the anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

Trade receivables that are factored out to banks with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings. Any fee incurred to effect factoring is net-off against borrowings and taken to the statement of comprehensive income.

1.8 Trade and other payables

Trade payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

1.9 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand net of bank overdraft facilities. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.10 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between the proceeds net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the borrowings using the effective interest method.

1.11 Borrowing costs

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period 1 January 2018 to 30 June 2018

1.11 Provisions

Provisions are recognised when the company 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 can be made. Provisions are not recognised for future operating losses.

1.12 Impairment

At each statement of financial position date the company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss/reversal is treated as a revaluation movement.

1.13 Current and Deferred Tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised only to the extent that future taxable profits will be available such that the realisation of the related tax benefit is probable.

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

1.14 Foreign Currencies

Transactions in foreign currencies during the year have been converted at the rates of exchange ruling on the date of the transaction. Assets and Liabilities denominated in foreign currencies have been translated at the rates of exchange ruling on the balance sheet date. Any gains or losses arising from these conversions are included in the statement of comprehensive income.

1.15 Inventories

Goods held for resale

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out method. The cost of inventories comprises the invoiced value of goods and in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

2. Financial risk management**2.1 Financial risk factors**

The Group's activities potentially expose it to a variety of financial risk: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The management provides principles for overall group risk management. The group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group's operating revenues, operating expenditure and financing are mainly denominated in euro. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are not significant and are settled within short periods in accordance with the negotiated credit terms.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

		30.06.2018	31.12.2017
		€	€
Trade and other receivables	Note 7	3,083,325	2,444,279
Cash and cash equivalents	Note 8	488,892	292,784
		<u>3,572,217</u>	<u>2,737,063</u>

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount. The Group does not hold any collateral as security in this respect.

The Group banks with financial institutions with high quality standing and rating.

The Group assesses the credit quality of its customers taking into account financial position and past experience. It has policies in place to ensure that sales are affected to customers with an appropriate credit history.

Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

2.2 Capital risk management

Capital is managed at Group level by reference to the level of group equity and borrowings as disclosed in the consolidated financial statements. The objective when managing capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may issue new shares, capitalise borrowings or adjust the amount of dividends paid to shareholders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

3. Deferred Expenditure

In 2017, deferred expenditure in relation to bond issuance costs were incurred, which bond was issued in February 2018. These costs will then be charged as an expense over the life of the bond, which is 10 years. Bond issue costs not yet amortised are included in the carrying value of the bond. Reference to note 10.

	30.06.2018	31.12.2017
	€	€
Deferred Expenditure	-	26,513

4. Property, Plant and equipment

	Vessel €	Hardware and Software €	Office Equipment €	Furniture & Fittings €	Total €
At 31 December 2017					
Cost or valuation	-	-	-	15,652	15,652
Accumulated depreciation	-	-	-	(8,204)	(8,204)
Net book amount	-	-	-	7,448	7,448
Period ended 30 June 2018					
Opening net book value	-	-	-	7,448	7,448
Additions	1,361,381	5,838	5,552	41,977	1,414,748
Depreciation for the year	(16,272)	(292)	(566)	(2,614)	(19,744)
Closing net book amount	1,345,109	5,546	4,986	46,811	1,402,452

5. Deferred tax asset

	30.06.2018	31.12.2017
	€	€
At the beginning of the year	11,529	13,631
Charged to the income statement	(2,618)	(2,102)
At the end of the year	8,911	11,529

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of the relevant jurisdiction in which the subsidiary and branches are situated.

The balance as at end of period/year represents:

	30.06.2018	31.12.2017
	€	€
Temporary differences arising on:		
unutilised tax losses	7,684	11,529
unrealised foreign exchange	1,227	-
	8,911	11,529

AST GROUP P.L.C

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

6. Inventories

	30.06.2018	31.12.2017
	€	€
Animal feed	1,036,637	1,015,444
Spares	3,000	-
Fuel and oils	54,661	-
	<u>1,094,298</u>	<u>1,015,444</u>

7. Trade and other receivables

	30.06.2018	31.12.2017
	€	€
Trade receivables	1,826,186	1,736,126
Other receivables	1,142,619	549,496
Related party balances (i)	41,595	114,200
VAT refundable	72,925	44,458
	<u>3,083,325</u>	<u>2,444,279</u>

(i) Related parties balances are unsecured, interest free and repayable on demand.

The fair values of trade and other receivables due within one year approximate the carrying values as presented above.

8. Cash and cash equivalents

	30.06.2018	31.12.2017
	€	€
Cash in hand and at bank	<u>488,892</u>	<u>292,784</u>

9. Share capital

	30.06.2018	31.12.2017
	€	€
Company		
Authorised		
50,000 ordinary shares of €1 each	<u>50,000</u>	<u>50,000</u>
Issued		
50,000 Ordinary shares of €1 each 100% paid up	<u>50,000</u>	<u>50,000</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period 1 January 2018 to 30 June 2018

10. Long-term borrowings

	30.06.2018	31.12.2017
	€	€
Proceeds from 5.5% Unsecured Bonds 2028	1,835,000	-
Bond issue costs	(94,976)	-
Amortisation of bond issue cost	3,888	-
	<u>1,743,912</u>	<u>-</u>

The Group issued Eur1,835,000 5.5% Unsecured Bonds 2028 at a nominal value of Eur100 per Bond and were admitted to trading on Prospects MTF (operated by the Malta Stock Exchange) in February 2018. Interest on bonds at the rate of 5.5% per annum commences on 01 February 2018 and shall be payable annually in arrears on 31 January of each year, with the first interest payment falling due on 31 January 2019. The gross yield calculated on the basis of the interest, the Bond Issue Price and the redemption value of the Bonds at Redemption date, is 5.5%.

11. Borrowings

	30.06.2018	31.12.2017
	€	€
Short-term bank borrowings	<u>737,511</u>	<u>718,954</u>

Short-term bank borrowings relate entirely to bank factoring. A new factoring agreement has been signed on the 8th of June 2018. Under the new agreement factoring shall be without recourse. Factoring cost amounts to 7.25% with recourse and 6.5% without recourse under the new agreement. The bank also charges 1% commission on the sales invoices amount.

12. Trade and other payables

	30.06.2018	31.12.2017
	€	€
Trade creditors	1,836,243	1,434,719
Other creditors	1,701	1,705
Accrued expenses	160,944	41,321
Vat payable	52,161	39,308
Social insurance payable	4,587	4,428
	<u>2,055,635</u>	<u>1,521,481</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

13. Revenue

Revenue represents the amounts receivable for sale of goods, services rendered and commission receivable during the year, net of any indirect taxes, as follows:

	01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
Sale of goods	6,182,974	3,454,815
Commission receivable	-	39,539
Freight income	212,163	-
	<u>6,395,137</u>	<u>3,494,354</u>

14. Expenses by nature

	01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
Cost of goods sold	5,801,642	3,260,169
Salaries	44,187	44,078
Fuel and oil	103,274	-
Crew wages and expenses	70,592	-
Port charges	72,925	-
Marketing costs	2,667	-
Professional fees	65,478	54,552
Rent	6,170	-
Insurance	13,828	-
Depreciation of property, plant and equipment	19,744	-
Selling and distribution expenses	1,599	10,045
Bond issue costs	3,888	-
Audit fee	2,710	-
Other expenses	33,801	26,438
Total cost of sales; selling and distribution expenses; administrative expenses	<u>6,242,505</u>	<u>3,395,282</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

15. Other income

	01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
Discounts received	-	480

16. Finance cost

	01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
Unrealised difference on exchange loss	3,508	1,869
Realised difference on exchange loss	36,531	13,129
Interest cost on 5.5% unsecured bonds	42,052	-
Bank interest and charges	28,284	30
	<u>110,375</u>	<u>15,028</u>

17. Taxation

	01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
Current tax expense	38,020	34,654
Deferred tax expense (note 5)	2,618	1,728
	<u>40,638</u>	<u>36,382</u>

The Group operates in several jurisdictions. The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	01.01.2018 to 30.06.2018 €	01.01.2017 to 30.06.2017 €
Profit/(loss) before tax	42,257	84,575
Tax at the domestic rate at 35%	14,790	29,601
Tax effect of:		
Expenses not allowable for tax purposes	618	351
Temporary differences	1,089	-
Unabsorbed tax losses	1,619	5,054
Understatement of prior year tax charge	-	6,269
Effect of different tax rates in other jurisdictions	22,523	(4,893)
Tax expense for the year	<u>40,638</u>	<u>36,382</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period 1 January 2018 to 30 June 2018

18. General Purpose Reserve

The general purpose reserve is a non-distributable reserve set up to finance the branches capital expenditure.

19. Shareholder's balance

The shareholder's balance is unsecured, interest free and payable at the discretion of the borrower.

20. Contingent Liabilities

The group had no contingent liabilities at 30 June 2018 and as at 31 December 2017.

22. Statutory information

AST Group p.l.c is a public limited liability company. AST Group p.l.c is incorporated in Malta with its registered address at 31,32,33 Third Floor, Kingsway Palace, Republic Street, Valletta VLT 1115. The company's immediate parent company is AFTL Group AG with registered office situated at Zug, c/o Fidura Immobilien AG, Gotthardstrasse 20, 6300 Zug, Switzerland.