

ASR Group Europe Limited

Consolidated Annual Report and Consolidated Financial Statements

At and for the period ended 29 September 2019

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ASR Group Europe Limited

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ASR Group Europe Limited
Strategic Report
at and for the period ended 29 September 2019
(Amounts in thousands of Euros)

Principal activities

The principal activities of ASR Group Europe Limited and its subsidiaries ("ASRGE") during the period were the refining, marketing and distribution of sugar and related products.

ASRGE's sole shareholder and ultimate parent company is ASR Group International, Inc. (referred to as "ASR Group").

Business review

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were €16,366. ASRGE also generated cash from operations of €2,553. The result for the period was a net loss of €23,620 which includes a non-cash write down of €2,166 related to discontinued operations in Germany and a non-cash tax charge of €9,118. No dividends were paid or proposed during the period.

ASRGE manages its product mix, operating procedures, raw sugar supply, sales and marketing strategies and overhead expenses to enhance operating profits. It has the support of the ASR Group from both a knowledge sharing and financial perspective. ASR Group is one of the largest refined sugar producers in the world. It has extensive experience in managing some of the best-known sugar brands in the world, providing excellent customer service, and efficiently operating cane sugar refineries and raw sugar mills.

On 27th September 2019, the group completed an internal reorganisation in order to simplify the organisation structure. The reorganisation involved the transfer of all shareholdings in subsidiary companies from the immediate parent company, European Sugar Holdings S.á r.l. ("ESH"), incorporated in Luxembourg, to ASRGE. ESH subsequently transferred its investment in ASRGE to its parent company, ASR Group International, Inc (a company incorporated in the United States of America). As a result, ASR Group International, Inc is the immediate and ultimate parent company of ASRGE at the balance sheet date and ASRGE has accordingly adopted predecessor accounting (merger accounting) as specified in note 1 and as specified in the note 1, no comparative numbers are presented in the financial statements below.

Business environment

ASRGE operates in an inequitable European regulatory environment. European Union ("EU") policies artificially inflates the cost of imported raw cane sugar used in ASRGE's European factories. EU policies also prevent us purchasing raw cane sugar from suppliers with the very highest ethical and environmental standards, a vitally important issue for both us and our customers.

Raw cane sugar is the primary raw material purchased by ASRGE. This inflation of costs occurs through limiting the number of suppliers ASRGE can purchase from to around 5% of sugar sold in global trade and, further charging certain import duties on some of those sugars. At the same time, the EU pays direct financial subsidies (through a Common Agricultural Policy) to sugar beet producers in many EU countries. In October 2017, beet sugar and isoglucose production became de-regulated allowing unlimited production and sale of beet sugar. These EU policies impact ASRGE's cost base by forcing it to pay inflated prices for raw cane sugar in the form of tariffs and premiums over the base raw sugar prices. These policies will continue to have a negative impact on our business.

The UK exited the European Union on 31 January 2020 but will continue to mirror EU regulations until December 2020. Post-December 2020, the Company looks forward to a policy environment in the UK that treats beet and cane sugar equally and values the contribution both make to competition and choice in the UK sugar market. Like all businesses affected by the UK leaving the EU, we remain in discussion with the UK Government about the nature of future UK agricultural and trade policies as they relate to sugar. Although the detail of those policies is some way away from being concluded we are confident that they will enable us to complement our existing supply base with competitive new suppliers that produce to the highest ethical and environmental standards.

ASR Group Europe Limited
Strategic Report
at and for the period ended 29 September 2019
(Amounts in thousands of Euros)

Strategy

ASRGE's strategy is to achieve a steady level of profitability by improving its product mix and increasing its operating efficiency. ASRGE also remains committed to achieving a competitive and non-discriminatory sugar policy both through discussions with UK and EU policy makers.

Key Performance Indicators ("KPI's")

The KPI's that best reflect ASRGE's strategy to improve its product mix are as follows:

	<u>2019</u>
Investment in property, plant and equipment	€ 27,571
Net liquid assets ¹	€ 82,218
Third party debt	€ 16,864
Operating cash flow	€ 2,553

¹ Defined as cash, trade receivables, prepayments, inventories (excluding manufacturing supplies), trade payables and accrued expenses. The above KPIs includes amounts for discontinued German operations.

Principal risks and uncertainties

Refined sugar selling prices in the UK and in the EU in general are not directly related to the cost of ASRGE's primary raw material – raw cane sugar. This creates risk in that the spread between selling prices and the cost of raw sugar must be closely managed. ASRGE generally uses sugar futures to manage this risk.

Additionally, raw cane sugar is generally purchased in USD currency, while sales are generally denominated in GBP and EUR currencies. ASRGE manages this risk through the use of currency derivatives.

Uncertainties related to the UK leaving the EU are also discussed above.

The full impact of COVID-19 on the macroeconomic environment became clearer in mid-2020, after the balance sheet date of this report. While the directors are monitoring the situation closely, they do not consider that the impact of COVID-19 after the reporting period has a material impact on the results as reported in these financial statements. ASRGE is closely monitoring its development, including the potential financial impacts. ASRGE has implemented a number of measures to protect its staff, its customers and consumers whilst continuing to produce and meet demand for its products.

Approved by the Board on 23 June 2020 and signed on its behalf by:



Tarun Arora

Director

ASR Group Europe Limited
10 Bedford Street, Fourth Floor
London
WC2E 9HE

ASR Group Europe Limited
Directors' Report
at and for the period ended 29 September 2019
(Amounts in thousands of Euros)

The Directors present their report and the consolidated financial statements of ASRGE for the 52 week period ended 29 September 2019.

Financial risk management and financial instruments

ASRGE financial risk management objectives and policies including the policy for hedging each major type of forecasted transaction are outlined in Note 18.

Directors

The Directors who held office during the period and up to the date of signing of the financial statements are listed below.

Mr. Armando A. Tabernilla

Mr. Gabriel Buenaventura

Mr. Andrew Jones (Appointed 30 September 2019)

Mr. Tarun Arora (Appointed 30 September 2019)

Price risk management

No futures market exists in the EU to hedge price changes for preferential sugar. As such, ASRGE purchases and sales are made at fixed and variable prices, sometimes one or more years ahead. This creates business risk in the case of non-delivery of the raw sugar required for sales. ASRGE is closely managing these risks and operates a supply forecasting system for raw sugar supplies.

Charitable donations

During fiscal 2019 the Company made €99 of charitable donations to good causes local to our factories, as well as causes that our employees supported.

Employment policies

ASRGE operates within a comprehensive framework of employment and human resource policies, practices and regulations.

Policies and procedures for recruitment, training and career development promote equality of opportunity regardless of gender, age, marital status, disability, sexual orientation, race, religion and ethnic or national origin. The aim is to encourage a culture in which all employees have the opportunity to develop as fully as possible in accordance with their individual abilities and the needs of ASRGE.

Strategic focus

ASRGE will continue to focus its investments in Europe on developing an innovative range of products and supporting its portfolio of highly recognisable brands both by organic growth and through strategic acquisitions and partnerships.

ASR Group, as the owner of ASRGE, is committed to its customers in Europe, many of whom it also does business with in North America and globally.

ASR Group Europe Limited

Directors' Report
at and for the period ended 29 September 2019
(Amounts in thousands of Euros)

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to assure that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

On behalf of the Board of Directors



Tarun Arora

Director

ASR Group Europe Limited
10 Bedford Street, Fourth Floor
London
WC2E 9HE

23 June 2020

ASR Group Europe Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of ASR Group Europe Limited

Opinion

We have audited the financial statements of ASR Group Europe Limited (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ending 29 September 2019, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 29 September 2019 and of the group's loss and the parent company's result for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macroeconomic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macroeconomic uncertainties such as COVID-19. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

COVID-19 is amongst one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for group associated with a course of action such as COVID-19.

Independent Auditor's Report to the Members of ASR Group Europe Limited

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business, including effects arising from COVID-19, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

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

Independent Auditor's Report to the Members of ASR Group Europe Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 and the parent company'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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
23 June 2020

ASR Group Europe Limited
Consolidated Income Statement
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

	<i>Note</i>	<u>2019</u>
Revenues	2	€ 376,232
Expenses		
Cost of sales		(322,096)
Selling, general, and administrative expenses		(35,870)
Net other income		(1,899)
Depreciation and amortisation	6/7	(20,606)
Net finance expenses	8	(4,255)
Loss from equity accounted investees, net of tax	23	(7,175)
Net loss before tax		(15,669)
Tax charge	9	(9,217)
Loss for the period from continuing operations		(24,886)
Discontinued operations:		
Profit for the period from discontinuing operations	19	1,266
Net loss		€ <u>(23,620)</u>
Attributable to:		
Ordinary shareholders		€ (23,344)
Non-controlling interest		(276)
Net loss		€ <u>(23,620)</u>

The accompanying notes are an integral part of these financial statements

ASR Group Europe Limited
Consolidated Statement of Comprehensive Income
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

	<i>Note</i>	<u>2019</u>
Net loss for the period		€ (23,620)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gains/(losses) on defined benefit pension plans	16	(2,278)
Income tax expense on items that will not be reclassified to profit or loss	10	<u>359</u>
		(1,919)
<i>Items that are, or may be reclassified subsequently to profit or loss:</i>		
Fair value of cash flow hedges		181
Fair value of interest rate swaps		(389)
Currency translation differences		5,479
Tax expense	10	<u>35</u>
		<u>5,306</u>
Total comprehensive loss		€ <u><u>(20,233)</u></u>
Attributable to:		
Ordinary shareholders		€ (21,006)
Non-controlling interest		<u>773</u>
Total comprehensive loss		€ <u><u>(20,233)</u></u>

The accompanying notes are an integral part of these financial statements

ASR Group Europe Limited
Consolidated Statement of Financial Position
as at 29 September 2019
(Amounts in thousands of Euros)

	<i>Note</i>	<u>2019</u>
Non-current assets:		
Property, plant and equipment	6	€ 218,527
Intangible assets	7	15,121
Investment in equity-accounted investees	23	50,785
Deferred tax assets	10	7,015
Other assets		<u>2,057</u>
Total non-current assets		<u>293,505</u>
Current assets:		
Inventories	12	96,127
Trade and other receivables	13	82,986
Other financial assets	11	96,945
Income tax receivable		375
Cash and cash equivalents		<u>6,657</u>
		283,090
Assets of disposal group held for sale	19	<u>41</u>
Total current assets		<u>283,131</u>
Total assets		€ <u>576,636</u>
Current liabilities:		
Trade and other payables	14	65,236
Loans and borrowings	15	10,000
Income tax payable		225
Other financial liabilities	11	<u>36,091</u>
Total current liabilities		<u>111,552</u>
Non-current liabilities:		
Loans and borrowings	15	77,286
Provision for equity investee deferred tax	23	10,453
Retirement benefit obligations	16	9,355
Other financial liabilities	11	<u>23,416</u>
Total non-current liabilities		<u>120,510</u>
Total liabilities		<u>232,062</u>
Equity:		
Share capital	17	330,000
Reserves		9,920
Retained earnings		<u>(11,080)</u>
Shareholder's Equity		328,840
Non-controlling interest		<u>15,734</u>
Total equity		<u>344,574</u>
Total equity and liabilities		€ <u>576,636</u>

On Behalf of the Board of Directors



Tarun Arora
 Director
 23 June 2020

The accompanying notes are an integral part of these financial statements

ASR Group Europe Limited
Consolidated Statement of Changes in Equity
at and for the period ended 29 September 2019
(Amounts in thousands of Euros)

	Note	Share capital	Hedging reserve	Translation reserve	Retained earnings	Shareholders' equity	Non-controlling interest	Total
Operating balance after restructuring		€ —	€ (2,520)	€ 6,162	€ 12,328	€ 15,970	€ 14,960	€ 30,930
Adjustment for restructuring		—	2,157	—	1,719	3,876	—	3,876
Net (loss)		—	—	—	(23,344)	(23,344)	(276)	(23,620)
Fair value of:								
Cash flow hedges transferred to OCI		—	181	—	—	181	—	181
Interest rate swaps transferred to OCI		—	(389)	—	—	(389)	—	(389)
Currency translation differences		—	—	4,294	—	4,294	1,185	5,479
Tax on items taken directly to OCI	10	—	35	—	359	394	—	394
Actuarial losses on defined benefit pension plans	16	—	—	—	(2,143)	(2,143)	(135)	(2,278)
Total of other comprehensive income		—	(173)	4,294	(25,128)	(21,007)	774	(20,233)
Issue of new shares	17	330,000	—	—	—	330,000	—	330,000
Total of transactions with the Owners of the Company		330,000	—	—	—	330,000	—	330,000
Balance at 29 September 2019		€ 330,000	€ (536)	€ 10,456	€ (11,081)	€ 328,840	€ 15,734	€ 344,574

Share premium and similar capital contribution:

Share premium and similar capital contribution represent the additional capital paid by the shareholder above the par value of the shares.

Foreign currency translation reserve:

The translation reserve comprises all foreign currency differences arising from the translation of foreign currency operations.

Hedging reserve:

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

ASR Group Europe Limited
Consolidated Statement of Cash Flows
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

	<i>Note</i>	<u>2019</u>
Cash from operations:		
Net loss		€ (23,620)
Adjustments:		
Depreciation, amortisation and impairment	6/7	20,651
Net finance costs	8	4,255
Change in current tax and deferred tax balances	9	9,160
Change in derivatives	11	(17,941)
Loss from equity accounted investees, net of tax	23	6,278
Decrease in inventories	12	7,737
Increase in trade and other receivables	13	(12,068)
Decrease in other assets		2,139
Increase in trade and other payables	14	10,046
Interest paid		(3,725)
Finance cost		(359)
Cash generated from operations		<u>2,553</u>
Cash from investing activities:		
Investment in equity accounted investees	23	(4,500)
Investment in property, plant and equipment	6	(27,569)
Disposal of assets from discontinuing operations	6	2,750
Effect of exchange rate fluctuations		1,361
Cash used in investing activities		<u>(27,958)</u>
Cash from financing activities:		
Proceeds from loans	15	21,997
Cash from financing activities		<u>21,997</u>
Net decrease in cash and cash equivalents		<u>(3,408)</u>
Cash and cash equivalents at beginning of period		<u>10,065</u>
Cash and cash equivalents at end of period		<u>€ 6,657</u>

On 27th September 2019, the group completed an internal reorganisation in order to simplify the group structure. The reorganisation involved the transfer of all shareholdings in subsidiary companies from the immediate parent company, ESH, to ASRGE. ESH subsequently transferred its investment in ASRGE to its parent company, ASR Group International, Inc. As part of the restructuring during the year, ASRGE issued 330,000,000 €1- shares against the value of the investments received. These were non-cash transactions and therefore are not visible in the cash flow statement above.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(1) Accounting policies

ASR Group Europe Limited (the "Company" or "ASRGE") is incorporated and domiciled in the UK. The Company's registered office is 10 Bedford Street, Fourth Floor, London, England, WC2E 9HE.

(a) Basis of accounting

ASRGE's consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). The consolidated financial statements of ASRGE were authorised for issuance by the Board of Directors on 23 June 2020.

(b) Functional and presentation currency

The consolidated financial statements are presented in Euros, which is ASRGE's functional currency. Transactions in foreign currencies are translated to ASRGE's functional currency at the monthly average of daily foreign exchange rates during each month. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in the consolidated income statement, except for differences arising on the retranslation of net investments in foreign operations and qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates at the dates the fair value was determined.

(c) Use of judgements and estimates

In order to prepare these consolidated financial statements in accordance with the Company's accounting policies, management used estimates and judgments to establish the amounts for recording certain items. The critical accounting estimates and judgments are set out below.

Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on ASRGE's latest approved budgets and forecasts, which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which ASRGE operates are also taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is recognised in full.

Impairment

An impairment loss is recognised for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable discount rate to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future sales volume and profit margins. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to ASRGE's assets within the next financial period. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors.

Credit risk

The new standard IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires ASRGE to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(c) Use of judgements and estimates (continued)

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), ASRGE is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL (stage 1). Accordingly, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.

IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, ASRGE takes into account qualitative and quantitative reasonable and supportable forward looking information.

Fair value of financial instruments – refer to note 11

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that a knowledgeable market participant would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Retirement benefits

Defined benefit schemes are re-appraised annually by independent actuaries based upon actuarial assumptions. Significant judgment is required in determining these actuarial assumptions. Refer to note 16 for the principal assumptions used for the pension schemes.

Leases

The Company has leases which are currently classified as operating leases. For calculating impacts on its accounts on adoption of IFRS 16, management is required to make judgements and estimates for identification of lease arrangements required to be capitalised, assessment of lease term, and determination of appropriate discount rates to apply to gross lease obligations. Lease incentives are also recognised over the life of the lease on a straight-line basis.

(d) Significant accounting policies

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future after forecasting cash flows and considering risks and uncertainties, including COVID-19. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

The acquisition date of a subsidiary is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(d) Significant accounting policies (continued)

Equity accounted investees

Equity accounted investees are those entities which meet either of the following criteria:

- Entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.
- Entities over whose activities the Company has joint control, established by contractual agreement and requiring the partners' unanimous consent for strategic financial and operating decisions.

The initial investment in Equity accounted investees is recognised at cost.

Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of Equity accounted investees, until the date on which significant influence or joint control ceases.

The Company's investment includes goodwill identified on acquisition(s), net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the total comprehensive income and equity movements of Equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an Equity accounted investee, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an investee.

Financial instruments

Financial assets and liabilities are recognised on ASRGE's consolidated statement of financial position when ASRGE becomes a party to the contractual provisions of the relevant financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for derivative financial instruments which are measured at fair value.

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.

All financial assets except for those valued at Fair value through profit and loss ('FVTPL') are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets, except for trade receivables, valued at ('FVTPL') are recognised in the consolidated income statement. Impairment in relation to trade receivables is presented within 'selling, general and administrative expenses'.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities designated at fair value through the consolidated income statement, that are carried subsequently at fair value with gains or losses recognised in the consolidated income statement.

All interest-related charges are included within 'finance expenses' or 'finance income'.

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

Non-derivative financial instruments

For the purpose of subsequent measurement, financial assets other than those designated as effective hedging instruments are classified into the following categories upon initial recognition:

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement only, bank overdrafts are considered to be borrowings in nature.

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(d) Significant accounting policies (continued)

Trade receivable

Trade receivables are initially recognised at fair value. Subsequently, trade receivables are regularly reviewed to determine whether a provision for impairment is necessary. Trade receivables are stated at amortised costs at the reporting date in accordance with the IFRS 9. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry, region of counterparty and other available features of shared credit risk characteristics. Provisions for doubtful debts are provided on trade receivables as per policy stated in Note 11 Financial Instruments.

Trade payables

Non-current and current trade payables are recognised initially and at the reporting date at fair value.

Derivative financial instruments and hedging

Derivatives are financial assets or financial liabilities classified and recorded at FVTPL, except for those designated in a hedge relationship.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Refer to notes 11 and 18 for more details regarding ASRGE's use of derivatives.

Cash flow hedging instruments

ASRGE employs interest rate swaps and foreign currency forward contracts to hedge the interest rate risk associated with its floating rate borrowings and foreign currency risk in relation to highly probable forecasted sales and purchases, respectively.

Fair value hedges

Where a derivative financial instrument is designated as a fair value hedge, changes in the fair value of the underlying asset or liability attributable to the hedged risk are recognised as gains and losses on the derivative instrument in the consolidated income statement for the period. ASRGE uses foreign exchange forwards to hedge foreign currency risk associated with committed transactions.

Commodity futures

ASRGE trades in commodity futures to economically hedge the price risk associated with its forecasted sales and purchases of sugar. These future contracts are classified and are measured at fair value with any movement in fair value recorded in the consolidated income statement.

Purchase contracts

Some purchase contracts fail to meet IAS 39 'Own use exemption' as they relate to external sugar trading activity. They are classified and measured at FVTPL based on market valuation techniques.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost represents the fair value of the fixed assets when acquired.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which ASRGE assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less any accumulated impairment losses. Lease payments are accounted for as described below.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(d) Significant accounting policies (continued)

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold land	No depreciation
Freehold buildings	15 – 30 years
Plant and machinery	3 – 15 years

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

Business combinations

All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to ASRGE. ASRGE measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- The fair value of the existing equity interest in the acquiree; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

Costs related to the acquisition, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is recorded within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the consolidated income statement.

Intangible assets and goodwill

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses where applicable. The main categories of intangible assets are as follows:

Intangible assets – indefinite useful lives

Goodwill, trademarks and licences are not amortised but are tested annually for impairment at the reporting date.

Acquired intangible assets are held on the consolidated statement of financial position at cost. Where these assets are regarded as having indefinite useful economic lives, they are not amortised. Assessment of the useful economic life of an asset, or that an asset has an indefinite life, requires management judgement.

Impairment reviews are carried out to ensure that intangible assets with an indefinite life are not carried at above their recoverable amounts. In particular, ASRGE performs a discounted cash flow analysis at least annually to compare discounted estimated future operating cash flows to the net carrying value of each acquired intangible asset.

Intangible assets – finite useful lives

Customer relationships and proprietary technology assets are stated at deemed cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful life of the asset from the date they are available for use.

The estimated useful economic lives of these intangible assets are as follows:

Customer relationships:	5 – 18 years
Proprietary technology:	10 years

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Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(d) Significant accounting policies (continued)

Research and development

Expenditure on research and development activities is recognised in the consolidated income statement as an expense when incurred or capitalised if capitalisation requirements are met.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition as of the reporting date. In the case of manufactured inventories and work in progress, cost includes an appropriate share of labour and overheads based on normal operating capacity.

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

In relation to the impairment of financial assets, the new standard IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires ASRGE to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires ASRGE to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at fair value through other comprehensive income,
- Lease receivables,
- Trade receivables and contract assets, and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

A financial asset not adjusted to FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

An impairment loss in respect of a financial asset recorded at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement. For ECL calculation as stated in the accounting policy above, ASRGE has assessed Trade receivables at life time ECL basis and all other stage 1 financial assets at 12 months ECL basis.

Non-financial assets

The carrying amounts of ASRGE's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from their continuing use that are largely independent of the cash inflows of other assets or groups of assets.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(d) Significant accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

ASRGE has both defined contribution and defined benefit plans.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which ASRGE pays annual contributions as defined by the plan into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the consolidated income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan that provides an employee with a retirement benefit as defined by the plan. ASRGE's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. ASRGE determines the interest on the defined benefit net liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit net liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating the terms of ASRGE's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). ASRGE recognises these re-measurements immediately in other comprehensive income. All other expenses related to defined benefit plans are recognized in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the consolidated income statement when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to ASRGE, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Provisions

A provision is recognised in both the consolidated statement of financial position and the consolidated income statement when ASRGE has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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(d) Significant accounting policies (continued)

Revenue recognition

Revenue comprises revenue from the sale of goods. Revenue is measured at the fair value of consideration received or receivable and represents amounts obtained through trading activities, net of value added tax. ASRGE applies the revenue recognition criteria set out below to each separately identifiable component of the sales or service transaction in order to reflect the substance of the transaction.

The consideration received from these transactions is allocated to the separately identifiable component by taking into account the relative fair value of each component.

Sale of goods

Revenue is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer and recognised at a point in time.

Revenue from the sale of electricity to Belize Electricity Limited (BEL) is recorded when energy is delivered. The determination of sales to BEL is based on the reading of their meter, which is performed on a systematic basis throughout the month.

Interest income

Interest income and expenses are recorded on an accruals basis using the effective interest method.

Leased Assets

Operating Lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement over the life of the lease as an integral part of the total lease expense. Lease incentives are also recognised over the life of the lease on a straight-line basis.

Taxation

The current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. ASRGE's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the consolidated statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, provided that they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when ASRGE has a right and intention to set off current tax assets and liabilities from the same taxation authority.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(d) Significant accounting policies (continued)

Changes in deferred tax assets or liabilities are recognised as a component of tax benefit or expense in the consolidated income statement, except where they relate to items that are recognised in the consolidated statement of comprehensive income or directly in equity, in which case the related deferred tax is also recognised in the consolidated statements of comprehensive income or equity, respectively.

Share Capital

Share capital represents the nominal value of shares that have been issued. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium and similar capital contribution represent the additional capital paid by the shareholder above the par value of the shares.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographical area;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets Held For Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying value and fair value less costs to sell. Once classified as held-for-sale, intangible assets and property plant and equipment are no longer amortised or depreciated, and any equity-accounted for investee is no longer equity accounted.

Merger Accounting

In case of mergers of entities with the Group, the Company follows 'pooling of accounts' or 'merger accounting method' and also known as 'predecessor value method'. IFRS does not provide any guidance on the topic hence Management have used their judgement to develop an accounting policy that provides relevant and reliable information in accordance with IAS 8.

Accordingly, the Company applies a predecessor value method, which involves accounting for the assets and liabilities of the acquired business using existing carrying values. The general features of this approach are that:

- the acquired assets and liabilities are recorded at their existing carrying values rather than at fair value
- no goodwill is recorded
- no comparatives are presented as merger accounting is applied from the 1st day of the reporting period i.e. from 1 October 2018.

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(d) Significant accounting policies (continued)

Adoption of new accounting standards

The following accounting standards, interpretations and amendments, were adopted during the year and had no significant impact on the group financial statements:

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments (endorsed by the EU on 22 November 2016), has become effective and applicable from years commencing on or after 1 January 2018. IFRS 9 provides simple classification of financial assets for measurement purposes. IFRS 9 applies a forward-looking impairment model that has replaced IAS 39, which used an incurred loss model and the new hedge accounting requirements provide an improved link to risk management and treasury operations. Based on the assessment carried out, IFRS 9 had no material impact on either its hedging or impairment model and does not require a restatement of comparative figures in the 2019 consolidated Annual Report. The impact of estimated credit loss model under IFRS 9 had been assessed as immaterial compared existing provisioning policies.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, (endorsed by the EU on 22 September 2016), establishes a principles-based approach to recognising revenue only when performance obligations are satisfied and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 18 Revenue and other related requirements.

IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

Step 1. Identify the contract(s) with a customer

Step 2. Identify the performance obligations in the contract

Step 3. Determine the transaction price

Step 4. Allocate the transaction price to the performance obligations in the contract

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

During the year the Group carried out a detailed review of the previous revenue recognition standard for revenue against the requirements of IFRS 15. This review examined all revenue types as well as related costs. The impact of these changes in the income statement and statement of financial position is highly immaterial due to the method and timing by which revenue is recognised, which does not give rise to any material changes under IFRS 15.

New standards, interpretations and amendments not yet effective

The new standard with the most significant effect on the group's financial statements is IFRS 16, further details of which are set out below.

IFRS 16 Leases was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. As a result, the standard is applicable to ASRGE for the period beginning 30 September 2019 i.e. from the next year.

The adoption of IFRS 16 will result in ASRGE recognising a right-of-use asset and lease liability for all contracts that are, or contain a lease. For leases currently classified as operating leases, the Group currently accounts for leases under IAS 17 and does not recognise related assets or liabilities for operating leases, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing the total future commitment.

ASR Group Europe Limited

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(d) Significant accounting policies (continued)

ASRGE is currently completing its assessment of IFRS 16, however, at this time ASRGE intends to transition to IFRS 16 applying the modified retrospective adoption method, with no restatement of prior year comparatives, and will therefore recognise leases on balance sheet as at 30 September 2019. Adopting IFRS 16 will result in the recognition of a right-of-use asset and corresponding liability on the balance sheet for each lease, with the associated depreciation and interest expense being recognised in the income statement over the period of the lease. The right-of-use asset will be assessed for impairment under IAS 36 at the date of initial application.

The current initial impact assessment of IFRS 16 has concluded that our intention is to make the following policy choices on transition to IFRS 16 on 30 September 2019:

- ASRGE plans to apply IFRS 16 initially on 30 September 2019 using the modified retrospective approach with the cumulative effect of adopting IFRS 16 recognised through opening retained earnings with no restatement of comparatives.
- The value of the right-of-use asset recognised on the initial application of IFRS 16 will be equal to the lease liability. ASRGE intends to apply the practical expedient that permits the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- ASRGE intend to use the practical expedient not to recognise short-term leases (with a term of less than twelve months) and low-value leases (where the value of lease on inception is less than €5,000). These leases will continue to be classed as operating leases under IAS 17.
- The lease liability at 30 September 2019 will be measured at the present value of unpaid lease payments applying ASRGE's incremental borrowing rate as applicable for leases. Accordingly the Company has used a rate of USD 3 months LIBOR plus 1 percent i.e. 3.10% as of 29 September 2019.

Based on our preliminary assessment the impact will be:

- There will be recognition of a right-of-use asset and lease liability of an estimated of €2,896 at 30 September 2019 based on the values disclosed in the operating lease commitment note adjusted to present value and for our provisional view of the definition of a lease under IFRS 16.

(2) Revenue

Revenues recognised as per policy stated in Note 1 are summarized as follows by business activity and geography:

	<u>2019</u>
Business activity:	
Sale of goods	€ 369,145
Rendering of electricity	<u>7,087</u>
Total revenues	€ 376,232
Revenues by geography:	
UK	€ 234,959
Rest of Europe	102,458
Rest of the world	<u>38,815</u>
Total revenues	€ 376,232

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(3) Auditor's remuneration

Auditor's remuneration charged for 2019 is as follows:

	<u>2019</u>
Audit of ASRGE Group and subsidiary financial statements pursuant to legislation	€ <u>304</u>
Total auditor's remuneration	€ <u>304</u>

(4) Employee headcount, cost and benefits

Average employee headcount, costs and benefits are as follows for 2019:

	<u>2019</u>
Average employee headcount:	
Operations	979
Sales, general and administration	<u>273</u>
Total average employee headcount	<u>1,252</u>
Employee cost and benefits:	
Wages and salaries	€ 52,141
Social security costs	5,830
Pension costs	3,232
Other	<u>1,239</u>
Total employees' cost and benefits	€ <u>62,442</u>

Employee cost and benefits includes amounts for discontinued operations.

(5) Directors' remuneration

No directors received any remuneration directly in respect of qualifying services to the Company during the year. All remuneration was paid by other group companies.

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(6) Property, plant and equipment

	<u>Freehold land and buildings</u>	<u>Plant and machinery</u>	<u>Assets under construction</u>	<u>Total</u>
Gross carrying amount:				
Additions from restructuring	€ 81,004	€ 225,784	€ 12,264	€ 319,052
Additions	3,334	2,618	21,618	27,570
Transfers	6,225	6,158	(12,384)	(1)
Disposals	—	(579)	—	(579)
Asset writeoff	(61)	(102)	—	(163)
Effect of movements in foreign exchange	1,330	3,515	332	5,177
Balance at 2019	€ 91,832	€ 237,394	€ 21,830	€ 351,056
Depreciation:				
Additions from restructuring	€ (10,647)	€ (101,419)	€ —	€ (112,066)
Disposals	—	579	—	579
Charge for the year	(1,414)	(18,553)	—	(19,967)
Asset writeoff	—	118	—	118
Effect of movements in foreign exchange	—	(1,193)	—	(1,193)
Balance at 2019	€ (12,061)	€ (120,468)	€ —	€ (132,529)
Net book value at 2019	€ 79,771	€ 116,926	€ 21,830	€ 218,527

(7) Intangible assets

	<u>Goodwill</u>	<u>Customer relationships</u>	<u>Proprietary technology</u>	<u>Trademarks and licenses</u>	<u>Total</u>
Additions from restructuring	€ 3,124	€ 3,530	€ 189	€ 8,917	€ 15,760
Amortisation charge	—	(543)	(96)	—	(639)
Balance at 2019	€ 3,124	€ 2,987	€ 93	€ 8,917	€ 15,121
Gross carrying amounts:					
2019	€ 14,479	€ 7,567	€ 942	€ 9,804	€ 32,792
Accumulated impairment:					
2019	(11,355)	—	—	(887)	(12,242)
Accumulated amortisation:					
2019	—	(4,580)	(849)	—	(5,429)
Net book value:					
2019	€ 3,124	€ 2,987	€ 93	€ 8,917	€ 15,121

Research costs of €855 were charged to the income statement in the period.

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(8) Net finance expenses

Finance income and expense consist of the following during 2019:

	<u>2019</u>
Interest income on cash deposits	€ 432
Interest payable on borrowings	(4,328)
Bank charges	<u>(359)</u>
Net finance expense	€ (4,255)

(9) Taxation

Income tax included in the consolidated income statement for 2019 is as follows:

	<u>2019</u>
Current tax charge	€ (106)
Current tax credit in respect of prior years	3
Deferred tax charge	<u>(9,118)</u>
Total tax charge recognised in the period	€ (9,221)
Tax recognised directly in equity:	
Deferred tax charge recognised in the period in equity	€ 394

The relationship between the actual tax charge and the expected tax charge based on the standard corporation tax rate is explained as follows:

	<u>2019</u>
Loss before taxes	€ (14,403)
Tax credit using the standard UK corporation tax rate of 19%	€ 2,736
Change in future tax rates	(101)
Difference in overseas tax rates	(1,692)
Non-deductible expenses	(710)
Losses not recognised	(9,469)
Other	<u>15</u>
Total tax charge	€ (9,221)

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016. The UK deferred tax asset at 29 September 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date, being the rate at which the asset is expected to be realised. The reduction to a 17% UK rate originally due to start from April 1st has now been repealed.

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(10) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities at 29 September 2019 are attributable to the following:

	Assets	Liabilities	Net
Property, plant and equipment	€ 6,999	€ —	€ 6,999
Pensions	1,180	—	1,180
Tax value of loss carry forward	2,002	—	2,002
Other short term timing differences	1,061	—	1,061
Intangible assets	—	(1,857)	(1,857)
Financial assets and liabilities	—	(2,370)	(2,370)
Total deferred tax assets and liabilities	€ 11,242	€ (4,227)	€ 7,015

Movement in deferred tax during the period:

	Opening balance after restructuring	Recognised in Income Statement	Recognised directly in OCI	2019
Property, plant and equipment	€ 5,142	€ 1,857	€ —	€ 6,999
Intangible assets	(1,857)	—	—	(1,857)
Pension	854	(33)	359	1,180
Financial assets and liabilities	(391)	(2,014)	35	(2,370)
Tax value of loss carry-forward	10,544	(8,542)	—	2,002
Other short-term timing differences	1,447	(386)	—	1,061
Total	€ 15,739	€ (9,118)	€ 394	€ 7,015

A deferred tax asset of €15,659 relating to tax losses has not been recognised due to uncertainty regarding the timing of expected recovery of the asset.

These losses have a gross value of €83,523. Of this amount, €51,640 of gross losses have no expiry date. The remaining losses have various expiry dates between September 2025 and September 2027 depending on the period in which they were incurred.

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(11) Financial instruments

The analysis to reconcile derivative financial instruments into assets and liabilities is as follows:

	2019	
	Assets	Liabilities
Current derivative financial instruments:		
Forward foreign exchange contracts – priced contracts	€ 3,470	€ —
Forward foreign exchange contracts – not in hedge accounting relationship	25,385	(8,905)
Foreign exchange on priced contracts	—	(3,470)
Commodity futures – not in a hedge accounting relationship	68,090	(23,716)
	<u>96,945</u>	<u>(36,091)</u>
Other non-current derivative financial instruments:		
Commodity derivatives	—	(22,770)
Interest rate swaps – cash flow hedge	—	(646)
Total financial instruments	<u>€ 96,945</u>	<u>€ (59,507)</u>

The following analysis reconciles classes of financial assets and liabilities at 29 September 2019:

29 September 2019	Loans and receivables at amortised cost	Fair value through P&L account	Derivatives designated in effective hedge	Financial liabilities amortised at cost	Total carrying value
Trade and other receivables	€ 82,986	€ —	€ —	€ —	€ 82,986
Cash and cash equivalents	6,657	—	—	—	6,657
Interest rate swap, net ⁽¹⁾	—	—	(646)	—	(646)
Forward foreign exchange contracts – not in hedge relationship, net ⁽²⁾	—	16,480	—	—	16,480
Commodity futures - not in hedge relationship, net	—	21,604	—	—	21,604
Borrowings	—	—	—	(87,286)	(87,286)
Trade and other payables	—	—	—	(65,236)	(65,236)
Total	<u>€ 89,643</u>	<u>€ 38,084</u>	<u>€ (646)</u>	<u>€ (152,522)</u>	<u>€ (25,441)</u>

The notional value of the interest rate swap is €10,000.

The notional value of the forward contracts is €290,380.

Analysis of fair value by valuation method

- Level 1 fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2 fair value is determined using significant inputs that may be either observable inputs or unobservable inputs that are corroborated by market data.
- Level 3 fair value is determined using significant inputs that are unobservable and reflect management's assumptions about market data. There are no Level 3 investments in the Company. Also, there are no movements between the levels during the year.

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(11) Financial instruments (continued)

29 September 2019	Level 1	Level 2	Total
Derivative financial assets:			
Forward foreign exchange - on priced contracts	€ —	€ 3,470	€ 3,470
Forward foreign exchange - not in hedge relationship	—	25,385	25,385
Commodity derivatives	68,090	—	68,090
Derivative financial assets at fair value	68,090	28,855	96,945
Derivative financial liabilities:			
Forward foreign exchange contracts - not in hedge accounting relationship	€ —	€ (8,905)	€ (8,905)
Foreign exchange on priced contracts	—	(3,470)	(3,470)
Commodity derivatives	(46,486)	—	(46,486)
Interest rate swaps - cash flow hedge	—	(646)	(646)
Derivative financial liabilities at fair value	€ (46,486)	€ (13,021)	€ (59,507)

Netting

The Company has ISDA Master Agreements in place with two counterparties that permit the netting of balances. The net positions in respect of these counterparties at 29 September 2019 were as follows:

29 September 2019	Gross	Net-off	Net
Assets	€ 25,959	€ (8,192)	€ 17,767
Liabilities	(8,192)	8,192	—
Total	€ 17,767	€ —	€ 17,767

Cash flow hedge

ASRGE employs interest rate swaps to hedge cash flow risk associated with future transactions in foreign currencies.

The cash flows associated with the interest rate swaps are expected to impact the consolidated income statement between the balance sheet date and 30 September 2024.

Trade receivables and provisions for doubtful debts

Credit risk for trade receivables are managed on an individual components basis.

Customers are independently rated using ASRGE's internally established policies. Credit control assesses the credit quality of customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by group policies. The compliance with credit limits by customers is regularly monitored by credit control.

ASRGE provides for bad debts based on ageing of accounts receivables as per its policy and also for the accounts receivables, where customers have gone into liquidation or insolvency.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on customers and recent trends in the economy. ASRGE provides for doubtful debts considering this information about its customers.

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(12) Inventories

Inventories consist of the following at the end of 2019:

	<u>2019</u>
Raw sugar and consumables	€ 45,650
Work in progress	5,691
Finished goods	21,914
Manufacturing supplies	<u>22,872</u>
Total inventories	€ <u>96,127</u>

An inventory provision of €4,926 is included within the inventory value on the balance sheet. Amount of inventory charged to the income statement for the year was €218,578.

(13) Trade and other receivables

Trade and other receivables consist of the following at the end of 2019:

	<u>2019</u>
Trade receivables	€ 56,294
Amounts due from related parties	3,910
Prepayments	7,367
VAT recoverable	4,515
Other	<u>10,900</u>
Total trade and other receivables	€ <u>82,986</u>

All trade and other receivables are expected to be recovered within 12 months. €10,000 of trade receivables have been securitised as disclosed in note 15, under the accounts receivable securitization loan.

(14) Trade and other payables

Trade and other payable consist of the following at the end of 2019:

	<u>2019</u>
Trade payables	€ 35,441
Amounts due to related parties	1,265
Accrued expenses	25,913
Other payables	<u>2,617</u>
Total trade and other payables	€ <u>65,236</u>

All trade and other payables are expected to be paid within 12 months.

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(15) Loans and borrowings

Loans and borrowings included in current and non-current liabilities in 2019 are as follows:

	<u>2019</u>
Included in current liabilities:	
Accounts receivable securitization loan	€ 10,000
Subtotal	<u>10,000</u>
Included in non-current liabilities:	
Senior long term debt	6,864
Loans from related parties	70,422
Subtotal	<u>77,286</u>
Total loans and borrowings	€ <u><u>87,286</u></u>

Reconciliation of movements in liabilities to cash flows arising from financing activities:

	<u>Loans from related parties</u>	<u>Non- Controlling Interest</u>
Opening balance after restructuring	€ 48,425	€ 14,960
Drawdown of loans	21,997	—
Net (loss)	—	(276)
Currency translation differences	—	1,185
Actuarial gains on defined benefit pension plans	—	(135)
Balance as at 29 September 2019	€ <u><u>70,422</u></u>	€ <u><u>15,734</u></u>

Credit facilities and arrangements

Senior long term debt

In February 2019, Belize received a long term loan of \$7,500 (€6,864) from the Inter-American Development Bank. The term loan has a maturity date of February 2025 with one year grace. The interest rate on this term loan is 3.25% plus 3 month Libor.

Loans from related parties

ASRGE has been provided with revolving credit commitments of \$100,000 each by two group companies, expiring on 30 September 2020 and 30 September 2022. As at 29 September 2019, the amount drawn down in respect of these facilities was \$77,040, €70,422. Both facilities are provided at a rate of Libor plus a spread in line with third party debt pricing and availability. The carrying amount of the facilities approximates their fair value.

Multi-currency facility

ASRGE currently has access to a multicurrency bank facility of \$300,000, which matures on 30 September 2020. This facility is shared with ASR Group and certain of its subsidiaries. This facility is at a floating interest rate based on Euribor plus a negotiated spread, and incurs commitment fees at market rates prevailing when the facility was arranged. This facility is unused at 29 September 2019.

Accounts receivable securitization loan

The accounts receivable securitization loan is provided based on the lender's first lien on T&L Sugars Ltd accounts receivable. Up to €50,000 may be borrowed at a fluctuating interest rate per annum based on Euribor plus an agreed upon spread. As at 29 September 2019, the outstanding balance on the accounts receivable securitization facility was €10,000, and the interest rate on the outstanding amount was fixed at 0.8%. The loan is up for renewal on 31 March 2020.

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(15) Loans and borrowings (continued)***Carrying value of loans and borrowings***

The fair value of loans and borrowings, except ASRGE's interest rate swaps as discussed in Note 11, approximates the carrying amount.

Off balance sheet commitments

The Group, along with its 50% joint venture partner, has entered into an agreement to provide support in the event of non-performance by SRB S.p.A regarding its obligations in respect of its €144,000 term loan and revolving credit facility arrangement. This commitment includes a pledge over shares in the investment and other financial instruments.

(16) Employee benefits

ASRGE maintains pension plans for its operations in UK, Portugal and Belize. In Portugal and Belize some of these arrangements are defined benefit pension schemes with retirement, medical, disability, death and termination income benefits. The retirement income benefits are generally a function of the years of employment and final salary.

The retirement scheme is funded and the assets are held by a third party pension fund provider. It is funded in line with local practice and contributions are assessed in accordance with local independent actuarial advice. The schemes operated by ASRGE are subject to independent actuarial valuations at regular intervals.

The information disclosed below is in respect of all of the plans for which ASRGE is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the period presented below.

	<u>2019</u>
Present value of funded defined benefit obligations	€ (12,531)
Present value of unfunded defined benefit obligations	(16,685)
Fair value of plan assets	<u>19,861</u>
Retirement benefit obligations	€ <u>(9,355)</u>

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(16) Employee benefits (continued)

The movements in present value of defined benefit obligations in 2019 are as follows:

	<u>2019</u>
Defined benefit at beginning of period	€ <u>(26,504)</u>
Included in profit or loss:	
Current service cost	(222)
Interest cost	(937)
Curtailment	<u>63</u>
	<u>(1,096)</u>
Included in OCI:	
Actuarial gains \ (losses) arising from a change in financial assumptions	(2,658)
Effect of movement in exchange rate	<u>(936)</u>
	<u>(3,594)</u>
Other:	
Plan participants contributions	(150)
Benefits paid	1,663
Settlement	<u>465</u>
	<u>1,978</u>
Defined benefit at end of period	€ <u>(29,216)</u>

The movements in fair value of plan assets are as follows during 2019:

	<u>2019</u>
Fair value of plan assets brought forward	€ <u>19,216</u>
Included in profit or loss:	
Interest income	€ <u>710</u>
	€ <u>710</u>
Included in OCI:	
Actuarial gains / (losses) arising from return on plan assets excluding interest income	€ <u>380</u>
Effect of movement in exchange rate	<u>710</u>
	€ <u>1,090</u>
Other:	
Benefits paid	€ (1,663)
Plan participants contributions	150
Employer contribution	776
Settlement	<u>(418)</u>
	€ <u>(1,155)</u>
Fair value of plan assets carried forward	€ <u><u>19,861</u></u>

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(16) Employee benefits (continued)

ASRGE expects to contribute approximately €nil to plan assets and make direct benefit payments of approximately €nil in fiscal 2020.

The weighted average duration of the defined benefit obligation at the end of the reporting period was 14 years.

The expense recognised in 2019 is as follows:

	<u>2019</u>
Current service cost	€ (222)
Interest expense	(937)
Interest income	<u>710</u>
Total	€ <u>(449)</u>

The expense is recognised in the "Selling, general and administrative expenses" line item in the consolidated income statement.

Actuarial gains and losses recognised directly in equity in the consolidated statement of comprehensive income since incorporation are as follows:

	<u>2019</u>
Cumulative losses at beginning of period	€ 2,443
Recognised in the period	<u>2,278</u>
Cumulative losses at end of period	€ <u>4,721</u>

The fair value of the plan assets are as follows:

	<u>2019</u>
Equity instruments	€ 2,185
Government bonds	12,164
Corporate bonds	50
Cash	<u>5,462</u>
Total plan assets	€ <u>19,861</u>

Principal actuarial assumptions (expressed as weighted averages) for the Portugal and Belize defined benefit pension scheme at period-end are as follows:

	<u>2019</u>
Discount rate	3.7%
Future salary increases	3.0%
Future pension increases	2.0%
Medical trend	1.8%

The expected return on asset assumption is derived by taking the weighted average of the long term expected rate of return on each of the asset classes in which the plans invested.

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

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(16) Employee benefits (continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2019 Defined benefit obligation

	<u>Increase</u>	<u>Decrease</u>
Discount rate movement 1%	€ (2,376)	€ 2,815

(17) Share capital, share premium and similar contributions

Share capital consists of the following at the end of 2019:

	<u>2019</u>
Allotted, called up and fully paid share capital	
330,000,000 ordinary shares of nominal value €1 (one Euro) each and 200 shares of £1 each	€ 333,000

As part of the restructuring during the year, ASRGE issued 330,000,000 shares at €1 and 200 shares or £1 each.

(18) Management of financial risk

The key financial risks faced by ASRGE are credit risks, liquidity risks and market risks, which include interest rate, foreign exchange and certain commodity price risks. ASRGE regularly monitors these risks.

The majority of ASRGE's financing, interest rate and foreign exchange risks are managed through the treasury function and through ASRGE's Global Sugars Group division. The Directors approve policies and procedures setting out permissible funding and a system of authorities is in place for the approval of transactions and exposures within the limits approved by the Directors. Interest rate and currency exposures are concentrated in the treasury function. These positions are managed by treasury within its authorised limits.

Commodity market price risks are managed through ASRGE's Global Sugars Group division.

The derivative financial instruments approved by the Directors of ASRGE to manage financial risks include; interest rate swaps, forward rate agreements, commodity forward contracts and commodity futures.

Credit risk management

Counterparty credit risk arises from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions, as well as credit exposures inherent within ASRGE's outstanding receivables. ASRGE manages credit risk in relation to these deposits and derivatives by entering into financial instrument contracts only with highly credit-worthy counterparties which are reviewed and approved by the Directors.

ASRGE runs a credit control department to manage credit risk by assessing the financial strength of new customers using credit agencies and extends credit accordingly. The credit extended to customers is evaluated on a regular basis.

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(18) Management of financial risk (continued)

The maximum exposure to credit risk at the reporting date is as follows:

	<u>2019</u>
Trade receivables	€ 56,294
Bank balances	6,657
Amounts due from related parties	3,910
Forward foreign exchange contracts - priced contracts	3,470
Foreign exchange contracts - not in hedge accounting relationship	25,385
Commodity derivatives	<u>68,090</u>
Total exposure to credit risk	€ 163,806

The ageing of trade receivables (net of allowances) at the reporting date is as follows:

	<u>2019</u>
Current	€ 49,219
Past due 0-28 days	4,029
More than 28 days	<u>3,046</u>
Total trade receivables	€ 56,294

The movement in the allowance for impairment in the respect of trade receivables is as follows:

	<u>2019</u>
Opening balance after restructuring	€ 906
Bad debt provision (release)	<u>(7)</u>
Balance at the end of period	€ 899

Liquidity risk management

ASRGE manages its exposure to liquidity risk and ensures maximum flexibility in meeting changing business needs by maintaining access to a wide range of funding sources, including borrowings from affiliated companies and bank borrowings. ASRGE ensures that it has sufficient undrawn committed bank facilities to provide liquidity to cover its funding requirements for the foreseeable future.

Compliance with agreed covenants with financial institutions is monitored by ASR Group on behalf of ASRGE. It is ASR Group's policy to manage its financial position so as to operate within restrictions agreed to in its loan covenants. In both the current and comparative reporting period, ASR Group complied with its financial covenants at all measurement points.

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(18) Management of financial risk (continued)

The following are undiscounted contractual maturities of financial liabilities, including estimated interest payments, based on the earliest possible maturity date, excluding the effect of netting agreements.

Undiscounted contractual maturities at 29 September 2019

29 September 2019	Total	1 year or less	1 to 2 years	2 to 5 years	5 years or greater
Non-derivative financial liabilities:					
Trade payables	€ (35,441)	€ (35,441)	€ —	€ —	€ —
Amounts due to related parties	(1,265)	(1,265)	—	—	—
Loan from parent	(70,422)	—	(70,422)	—	—
Senior long term debt	(6,864)	—	—	(6,864)	—
Accrued expenses	(25,913)	(25,913)	—	—	—
Other payables	(2,617)	(2,617)	—	—	—
A/R securitization loan	(10,000)	(10,000)	—	—	—
Subtotal	(152,522)	(75,236)	(70,422)	(6,864)	—
Derivative financial liabilities:					
Interest rate swaps	(646)	—	—	(646)	—
Commodity futures	(46,486)	(23,716)	(20,272)	(1,737)	(761)
Forward foreign exchange contracts:					
- Outflow	(550,134)	(436,463)	(113,671)	—	—
- Inflow	259,754	250,841	8,913	—	—
Subtotal	(337,512)	(209,338)	(125,030)	(2,383)	(761)
Total financial liabilities	€ (490,034)	€ (284,574)	€ (195,452)	€ (9,247)	€ (761)

Market Risks

Foreign currency risk

ASRGE operates in a multicurrency environment and is exposed to foreign exchange risks arising from commercial transactions (transaction exposure). The foreign currency exposure primarily arises from USD, GBP and NOK denominated trade receivables and trade payables, foreign currency forward contracts, commodity futures and commodity purchase contracts.

Transaction exposure

ASRGE's policy is to manage its transactional currency exposures against the functional currency once the transaction is committed or highly probable, mainly through the use of forward foreign exchange contracts.

The amounts deferred in equity from derivative financial instruments designated as cash flow hedges for interest rate swaps and options are released to the income statement and offset against the movement in underlying transactions only when the forecast transactions affect the income statement.

A 5% strengthening of USD against the Euro at the end of 2019 would have resulted in a credit to of approximately €Nil in 2019 and a loss of €15,859 in the consolidated income statement. The consolidated income statement impact would be offset by equal and opposite gains on the underlying transactions. A 5% weakening in the respective currencies against the Euro would have had an equal but opposite effect to the amounts, on the basis that all other variables remain constant.

Interest rate risk management

ASRGE has an exposure to interest rate risk arising principally from changes in USD interest rates. This risk is managed by fixing portions of debt using interest rate derivatives to achieve a target level of fixed/floating rate net debt, which aims to optimise net finance expense and reduce volatility in reported earnings. At 29 September 2019, the percentage of interest-bearing debt with a fixed rate yield was 15% and the percentage of interest-bearing debt with a variable yield was 85%.

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(18) Management of financial risk (continued)

ASRGE considers a 100 basis point change in interest rates a reasonably possible change except where rates are less than 100 basis points. In these instances it is assumed that the interest rates increase by 100 basis points and decrease to zero for the purpose of performing the sensitivity analysis. The impact is calculated with reference to the gross debt and cash balances at the end of 2019 assuming that other variables remain unchanged.

If interest rates increase by 100 basis points, ASRGE's 2019 loss before tax would increase by approximately €554.

ASRGE participates in the sugar market and is exposed to movements in the future prices of commodities in those domestic and international markets where ASRGE buys and sells sugar for production. Commodity futures and forwards are used where available to manage the costs of raw materials for priced contracts. In most cases, these contracts mature within one year and are either traded on recognised exchanges or over the counter.

All ASRGE's commodity pricing contracts entered into with changes in mark-to-market values of these contracts are taken directly to the consolidated income statement.

If the price of sugar was to increase by 10% it would have resulted in a fair value gain of approximately €26,881. A decrease of 10% would result in approximately an equal but opposite impact to the consolidated income statement.

Capital risk management

The key purpose of ASRGE's capital risk management process is to ensure the capital structure supports the on-going operations of the business such that ASRGE continues as a going concern. To achieve this, ASRGE adopts a flexible capital structure to ensure a low and ultimately sustainable cost of capital.

This ensures ASRGE can continue to make careful risk appraised investments to support the long term viability of the business.

ASRGE's capital structure is continually monitored and adapted to align with a fast changing macro-economic and business environment. Refer to note 15 for further details on loans and borrowings.

(19) Discontinued operations

On 30 September 2018, the Company's subsidiary ASR Germany GmbH & Co. KG ("ASRG") ceased all its production and operations. ASRG produced liquid sugar, invert syrups and fondants for the Germany market. Accordingly, results of operations of ASRG and all the assets and liabilities of ASRG have been presented as disposal group held for sale. The sale of the remaining assets was completed during the year.

In 2018, in accordance with IFRS 5, the assets and liabilities of ASRG held for sale were written down to their fair value less costs to sell. The impairment loss has been recognised for the difference between carrying values of those assets and liabilities and their fair values.

a) Assets and liabilities of ASRG

	<u>2019</u>
Cash and cash equivalents	€ <u>41</u>
Total	€ <u>41</u>

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(19) Discontinued operations (continued)**b) ASRG income statement**

Analysis of the result of discontinued operations:

	<u>2019</u>
Cost of sales	€ (112)
Selling, general and administrative expenses	4
Net finance income	395
Other income	983
Taxation charge	<u>(4)</u>
Net profit	€ 1,266

c) Cash flow from ASRG

	<u>2019</u>
Operating cash flow	€ 254
Total cash flow	€ 254

(20) Operating leases

Non-cancellable operating lease rentals by remaining lease terms are as follows:

	<u>2019</u>
Not later than one year	€ 1,330
Later than one year and no later than 5 years	<u>2,303</u>
Total non-cancellable operating lease rentals	€ 3,633

ASRGE leases properties, vehicles, plant and equipment under non-cancellable operating lease agreements. During 2019, €1,567 in operating lease expense was recognised in the consolidated income statement, within selling, general and administrative expenses.

(21) Capital commitments

At the end of 2019, the Company was committed to property, plant and equipment purchases of €10,502.

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(22) Related party disclosures

ASRGE has related party relationships with its subsidiaries, parent, its parent's subsidiaries and with its Directors. Other than Directors' remuneration, no related party transactions were entered into with the Directors or their close family members in the current period.

The following sales and purchases were made to and incurred from ASRGE companies during the period and all such transactions were made on an arm's length basis:

For the period ended 29 September 2019	Sales of goods	Purchase of goods	Recharges to	Recharges from
Equity accounted investee	€ 89,198	€ (580)	€ 6	€ —
Other related parties	43,347	—	6,261	(3,317)
Total	€ 132,545	€ (580)	€ 6,267	€ (3,317)

For the period ended 29 September 2019	Interest income	Interest expense	Other income
Equity accounted investee	€ 426	€ —	€ —
Other related parties	—	(286)	11
Total	€ 426	€ (286)	€ 11

At 29 September 2019	Receivables outstanding	Payables outstanding	Loan receivable/ (payable)
Equity accounted investee	8,624	—	15,000
Other related parties	3,910	(1,266)	(70,422)
Total	€ 12,534	€ (1,266)	€ (55,422)

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(23) ASRGE Group entities

The subsidiaries and joint venture of ASRGE are as follows:

Company	Country of Incorporation	Company's registered office	Class of shares held	Ownership 29 September 2019
T&L Sugars Ltd	UK	Thames Refinery, Factory Road, Silvertown, London, E16 2EW	Ordinary	100.00%
ASR Group Commodities Ltd	UK	10 Bedford Street, Fourth Floor, London, WC2E 9HE	Ordinary	100.00%
ASR Group Ltd	UK	10 Bedford Street, Fourth Floor, London, WC2E 9HE	Ordinary	100.00%
Tate & Lyle Sugars Ltd	UK	10 Bedford Street, Fourth Floor, London, WC2E 9HE	Ordinary	100.00%
T&L Sugars Death Benefits Scheme Trustees Ltd	UK	10 Bedford Street, Fourth Floor, London, WC2E 9HE	Ordinary	100.00%
Sidul II Lda	Portugal	Quinta do Fernal, 2690-364 Santa Iria de Azóia	Ordinary	100.00%
Sidul Participações, SGPS, Lda	Portugal	Quinta do Fernal, 2690-364 Santa Iria de Azóia	Ordinary	100.00%
Sidul Açúcares Unipessoal, Lda	Portugal	Quinta do Fernal, 2690-364 Santa Iria de Azóia	Ordinary	100.00%
T&L Norge AS	Norway	Enebakkveien 123, 0680 Oslo, Norway	Ordinary	100.00%
ESH (Barbados), SRL	Barbados	Trident Corporate Services (Barbados) Ltd, The Phoenix Centre, George Street, Belleville, St Michael, Barbados	Ordinary	100.00%
WSP Comércio de Alimentos e Participações Ltda	Brazil	Rua Bandeira Paulista, 726, Conjuntos 203/204/205/206, Itaim Bibi, São Paulo/SP, CEP 04532-002, Brazil	Ordinary	100.00%
Italian Sugar Holdings S.r.l.	Italy	Via dei Piatti 11, Milan, Italy	Ordinary	100.00%
Belize Sugar Industries Ltd	Belize	Tower Hill, Orange Walk Town, Belize	Ordinary	81.21%
Belize Cogeneration Energy Ltd	Belize	Tower Hill, Orange Walk Town, Belize	Ordinary	81.21%
Storage Ltd	Belize	9 Craig Street, Belize City, Belize	Ordinary	81.21%
ASR Germany GmbH & Co. Kg.	Germany	Langendorfer Strasse 21 06667 Weissenfels, Germany	Ordinary	100.00%
ASR Germany Beteiligungs GmbH	Germany	Langendorfer Strasse 21 06667 Weissenfels, Germany	Ordinary	100.00%
S.F.I.R. Raffineria di Brindisi S.p.A.	Italy	10, Strada per Fiume Piccolo, Brindisi - 72100 - Italy	Ordinary	50.00%

ASR Group Europe Limited

Notes to Consolidated Financial Statements
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

(23) ASRGE Group entities (continued)

	<u>2019</u>
SRB S.p.A.	€ <u>50,785</u>
Total carrying amount for equity accounted investees	€ <u><u>50,785</u></u>

The following tables summarise the financial information of SRB as included in its own financial statements as at 29 September 2019, adjusted for fair value adjustments at acquisition and differences in accounting policies.

	<u>2019</u>
Percentage ownership interest	50%
Non-current assets	€ 104,006
Current assets (including cash and cash equivalents of €5,648)	111,971
Non-current liabilities (including non-current financial liabilities other than trade and other payables and provisions of €37,918)	(137,358)
Current liabilities (including current financial liabilities other than trade and other payables and provisions €27,777)	<u>(79,390)</u>
Net assets (100%)	€ <u><u>(771)</u></u>
ESH Group's share of net assets	€ (385)
SFPs, capitalised acquisition costs and other	35,246
Loan to SRB S.p.A	15,000
Elimination of unrealised profit on downstream sales	<u>924</u>
Carrying amount of interest in joint venture	€ <u><u>50,785</u></u>

	<u>2019</u>
Revenue	€ 67,876
Depreciation and amortisation	(8,974)
Interest expense	(3,578)
Loss from continuing operations	<u>(14,351)</u>
ESH Group's share of loss	€ <u><u>(7,175)</u></u>

	<u>2019</u>
Average employee headcount:	
Operations	83
Sales, general and administration	<u>15</u>
Total average employee headcount	<u><u>98</u></u>

ASR Group Europe Limited

Notes to Consolidated Financial Statements for the 52 week period ended 29 September 2019 (Amounts in thousands of Euros)

(23) ASRGE Group entities (continued)

Non-controlling interests

The following table summarises the financial information of Belize Sugar Industries Ltd, the Group's only subsidiary with a material non-controlling interest, before intra-group eliminations:

	<u>2019</u>
NCI percentage	18.79%
Non-current assets	€ 81,859
Current assets	23,205
Non-current liabilities	(11,222)
Current liabilities	<u>(7,792)</u>
Net assets (100%)	€ 86,050
Net assets contributed to NCI	€ 16,169
Revenue	64,314
Profit	(1,469)
OCI	<u>5,586</u>
Total comprehensive income	€ 4,117
Profit allocated to NCI	€ (276)
OCI allocated to NCI	1,050
Cash flows from operating activities	€ 6,174
Cash flows from investment activities	(15,493)
Cash flows from financing activities	<u>6,655</u>
Net increase/(decrease) in cash and cash equivalents	€ (2,664)

(24) Post Balance sheet event

The full impact of COVID-19 on the macroeconomic environment became clearer in mid-2020, after the balance sheet date of this report. While the directors are monitoring the situation closely, they do not consider that the impact of COVID-19 after the reporting period has a material impact on the results as reported in these financial statements. ASRGE is closely monitoring its development, including the potential financial impacts. ASRGE has implemented a number of measures to protect its staff, its customers and consumers whilst continuing to produce and meet demand for its products.

In March 2020, ASRGE issued additional equity of €44,865 to its parent company, ASR Group. In return, it was assigned a \$50,000 (€44,865) loan receivable due from T&L Sugars Limited, a fully held subsidiary. As a result, the loan payable to other related parties has decreased by €44,865.

(25) Ultimate Parent

On 27th September 2019, as a part of a restructuring of the group's European operations, the immediate parent company, European Sugar Holdings S.a.r.l ("ESH"), incorporated in Luxembourg, transferred its investments in subsidiaries to ASRGE.

ASRGE is a wholly owned subsidiary of ASR Group International, Inc. registered in the United States of America with a company number of 2177261. ASR Group Inc. is a private company that reports under US GAAP whose registered office is 3411 Silverside Road, Suite 104, Wilmington, DE 19810, United States.

ASR Group Europe Limited
Company Statement of Financial Position
as at 29 September 2019
(Amounts in thousands of Euros)

		<u>2019</u>	<u>2018</u>
	<i>Note</i>		
Assets			
Investment in subsidiaries	3	€ 337,958	€ -
Other receivables	4	-	-
Total assets		<u>€ 337,958</u>	<u>€ -</u>
Equity and liabilities			
Intercompany loans	5	€ 7,958	€ -
Share capital	6	330,000	-
Total equity and liabilities		<u>€ 337,958</u>	<u>€ -</u>

The notes on pages 46 to 49 form part of these financial statements

Directors' responsibilities

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Small companies' regime

These accounts have been prepared in accordance with the provisions applicable to companies subject to small companies' regime.



Tarun Arora
Director

ASR Group Europe Limited
10 Bedford Street, Fourth Floor
London
WC2E 9HE

23 June 2020

ASR Group Europe Limited
Notes to the company financial statements
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

1. Accounting policies

ASR Group Europe Limited (the "Company") is incorporated and domiciled in the UK. The Company's registered office and principal place of business is 10 Bedford Street, 4th Floor, London WC2E 9HE.

a) Basis of accounting

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Company's board of Directors on 23 June 2020.

b) Going concern

The Directors, having assessed the Company's financial position and future business prospects, believe that the Company will continue as a going concern and be able to meet its financial and trade obligations for the twelve months period from the date of approval of the financial statements.

c) Functional and presentation currency

The financial statements are presented in Euros, which is the Company's functional currency. Transactions in foreign currencies are translated to the Company's functional currency at the monthly average of daily foreign exchange rates during each month. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of net investments in foreign operations and qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates at the dates the fair value was determined.

d) Financial instruments

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

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for derivative financial instruments which are measured at fair value.

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.

All financial assets except for those adjusted to fair value through consolidated income statement are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets, except for trade receivables, valued at FVTPL are recognised in the income statement. Impairment in relation to trade receivables is presented within 'selling, general and administrative expenses'.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities designated at fair value through the consolidated income statement, that are carried subsequently at fair value with gains or losses recognised in the consolidated income statement.

All interest-related charges are included within 'finance expenses' or 'finance income'.

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

ASR Group Europe Limited
Notes to the company financial statements
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

1. Accounting policies (continued)

Non-derivative financial instruments

For the purpose of subsequent measurement, financial assets other than those designated as effective hedging instruments are classified into the following categories upon initial recognition:

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement only, bank overdrafts are considered to be borrowings in nature.

Trade receivables

Trade receivables are initially recognised at fair value. Subsequently, trade receivables are regularly reviewed to determine whether a provision for impairment is necessary. Trade receivables are stated at fair value at the reporting date in accordance with the IFRS 9. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry, region of counterparty and other available features of shared credit risk characteristics. Provisions for doubtful debts is any are provided on trade receivables as per the Company policy.

Trade payables

Non-current and current trade payables are recognised initially and at the reporting date at fair value.

Derivative financial instruments and hedging

Derivatives are financial assets or financial liabilities classified and recorded at fair value through the income statement, except for those designated in a hedge relationship.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through the consolidated income statement.

e) Merger Accounting

Business combinations within the group follow the 'pooling of accounts' or 'merger accounting method' also known as 'predecessor value method'. IFRS does not provide any guidance on the topic hence Management have used their judgement to develop an accounting policy that provides relevant and reliable information in accordance with IAS 8.

Accordingly, the Company applies a predecessor value method, which involves accounting for the assets and liabilities of the acquired business using existing carrying values. The general features of this approach are that:

- the acquired assets and liabilities are recorded at their existing carrying values rather than at fair value
- no goodwill is recorded
- no comparatives are presented as merger accounting is applied from the 1st day of the reporting period i.e. from 1 October 2018.

f) Share Capital

Share capital represents the nominal value of shares that have been issued. Ordinary shares are classified as equity.

ASR Group Europe Limited
Notes to the company financial statements
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

1. Accounting policies (continued)

g) New standards, interpretations and amendments not yet effective and Improvements and other amendments to IFRS/IAS

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company financial statements in future:

IFRS 9, Financial Instruments (endorsed by the EU on 22 November 2016), has become effective and applicable from years commencing on or after 1 January 2018. IFRS 9 provides simple classification of financial assets for measurement purposes. IFRS 9 applies a forward-looking impairment model that has replaced IAS 39, which used an incurred loss model and the new hedge accounting requirements provide an improved link to risk management and treasury operations. Based on the assessment carried out, IFRS 9 has no material impact on either its hedging or impairment model and does not require a restatement of comparative figures in the 2019 Annual Report. The impact of general provisioning under IFRS 9 has been assessed as immaterial compared to existing provisioning policies.

A number of other existing standards have been modified on miscellaneous points with effect from 1 October 2018. None of these changes had an effect on Company's financial statements.

2. Employee headcount, costs and benefits

The average number of persons employed by the Company (including directors) during the period was nil (2018: nil).

3. Directors' remuneration

The Directors received no remuneration for their services as directors of the Company.

4. Other receivables

	<u>2019</u>	<u>2018</u>
Amount due from related party	€ -	€ -
Total trade and other receivables	€ -	€ -

5. Balances with related parties

	<u>2019</u>	<u>2018</u>
Intercompany loan outstanding	€ 7,958	€ -
Total	€ 7,958	€ -

ASR Group Europe Limited
Notes to the company financial statements
for the 52 week period ended 29 September 2019
(Amounts in thousands of Euros)

6. Share capital

	<u>2019</u>	<u>2018</u>
Allotted and called up share capital		
330,000,000 ordinary share of Nominal value €1 each and 200 ordinary shares of £1 each	€ <u>330,000</u>	€ <u>-</u>
Total Share Capital	€ <u>330,000</u>	€ <u>-</u>

As part of the restructuring during the year, the Company issued 330,000,000 €1 shares. The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

No dividends were recognised during the current or prior periods.

7. Ultimate Parent

On 27th September 2019, as a part of a restructuring of the group's European operations, the immediate parent company, European Sugar Holdings S.a.r.l ("ESH"), incorporated in Luxembourg, transferred its investments in subsidiaries to ASRGE.

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