

T&L Sugars Ltd

Annual Report and Financial Statements

At and for the period ended 24 September 2017

Company no. 07318607

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T&L Sugars Ltd
Strategic Report
at and for the period ended 24 September 2017
(amounts in thousands of Euros)

The Directors present the strategic report of T&L Sugars Ltd ("Company" or "T&L Sugars") for the 52 week periods ended 24 September 2017 and 25 September 2016.

Principal activities

The principal activities of the Company during the period were the refining, marketing and distribution of sugar and related products.

The Company's ultimate parent company is ASR Group International, Inc., a company domiciled in the United States of America (referred to as "ASR Group").

Business review

The result for the period was a net loss of €26,292 compared to a loss of €4,597 in 2016. No dividends were paid or proposed during either period.

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

Business environment

The Company continues to operate in an inequitable European regulatory environment. European Union ("EU") policies discriminate against cane sugar refiners by inflating the cost of imported raw cane sugar used in the Company's UK based factories. Raw cane sugar is the primary raw material purchased by the Company. This inflation of costs occurs through limiting the number of suppliers the Company can purchase from to around 5% of sugar sold in global trade and, further, on some of those sugars charging certain import duties. 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 make the Company uncompetitive by forcing it to pay inflated prices for raw cane sugar whilst having to sell refined cane sugar in the EU single market in direct competition with subsidised beet sugar.

EU policies have had a significant negative impact on the Company's financial performance.

This Common Agricultural Policy is in place to protect beet sugar producers in the 19 European member states that produce beet sugar from competition. There are dedicated cane sugar refineries that rely on imported raw sugar in only 5 European countries, of which the UK is the largest.

The deregulation of beet and isoglucose production on 1 October 2017 has allowed those sectors to market as much beet sugar and isoglucose as they deem prudent. Prior to 1 October 2017 there has been a limit of approximately thirteen million tonnes of beet sugar that could be sold in any given year. The total EU sugar market for food and drink is estimated to be approximately 17 million tonnes. In contrast, EU cane sugar policies remain largely unchanged and continue to impose additional raw material costs on the Company in the form of tariffs and premiums over #11 raw sugar prices. Over the period, the EU has made only limited moves towards reforming EU cane sugar policies, including opening up the market to small volumes of raw cane sugar from South Africa.

The impact of the UK referendum in June 2016, which resulted in the decision that the UK will exit the EU, remains undetermined. In the context of the current European regulatory environment in respect of

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cane sugar, the Company continues to believe that a more equitable framework will be implemented following the conclusion of the UK's exit from the EU.

Strategy

The Company's strategy to achieve a steady level of profitability is to improve its product mix and increase its operating efficiency. The Company also remains committed to achieving an equitable sugar policy both through discussions with UK and EU policy makers.

Key Performance Indicators ("KPI's")

The KPIs that best reflect the Company's strategy to improve its product mix in a manner that will differentiate it from other sugar marketers in the UK and the EU are as follows:

		<u>2017</u>		<u>2016</u>
Investment in property, plant and equipment	€	11,891	€	19,628
Net liquid assets ¹	€	65,143	€	114,676
Third party debt	€	10,000	€	10,000
Selling, general and administrative expenses	€	(30,429)	€	(35,655)

¹ Defined as cash, trade receivables, inventories excluding manufacturing supplies, trade payables and accrued expenses

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 the Company'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. The Company generally uses #11 sugar futures to manage this risk. Additionally because there is an inequitable sugar policy in the EU (described above), the Company competes with selling prices that are sometimes insufficient to cover the Company's fixed expenses.

Additionally, raw cane sugar is generally purchased in USD currency, while sales are generally denominated in GBP and Euro currencies. The Company manages this risk through natural hedging as well as the use of currency derivatives.

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As discussed in the *Business environment* section (above), EU sugar beet quotas were removed during 2017 while cane sugar import tariffs and sourcing restrictions will remain in place. This creates an uncertainty for the Company which it is dealing with as described earlier. Uncertainties related to the UK leaving the EU are also discussed above.

On behalf of the Board of Directors



Andrew Jones
Director

T&L Sugars Limited
Thames Refinery
Factory Road, Silvertown
London E16 2EW

29 March 2018



Tarun Arora
Finance Director

T&L Sugars Limited
Thames Refinery
Factory Road, Silvertown
London E16 2EW

29 March 2018

T&L Sugars Ltd

Directors' Report at and for the period ended 24 September 2017 (amounts in thousands of Euros)

The Directors present the Directors' report and financial statements of the Company for the 52-week periods ended 24 September 2017 and 25 September 2016 respectively.

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. Gregory H. Smith (Resigned 24 September 2017)

Mr. Douglas Romain (Resigned 11 October 2016)

Mr. Robert Sproull (Resigned 11 October 2016)

Mr. Gerald Mason (Appointed 11 October 2016)

Mr. Tarun Arora (Appointed 11 October 2016)

Mr. Andrew Jones (Appointed 25 September 2017)

Mr. Gabriel Buenaventura (Appointed 25 September 2017)

Mr. Paul Stebbings (Company Secretary)

Price risk management

No futures market exists in the EU to hedge price changes for raw sugar that can be processed and sold in the UK and EU. As discussed above, this creates risk for the Company to maintain margins on sales. This also creates performance risk in the case of non-delivery of the raw sugar required for sales. The Company closely manages these risks using both derivatives and a supply forecasting system for raw sugar supplies.

Financial risk management and financial instruments

The Company's financial risk management objectives and policies including the policy for hedging each major type of forecasted transaction for which hedge accounting is used are outlined in note 1.

Political and charitable contributions

The Company made a political donation of €8 (nil 2016) to the Conservative Party during fiscal 2017. The Company made €125 and €123 of charitable donations in fiscal 2017 and 2016, respectively.

Employment policies

The Company operates within a comprehensive framework of employment and human resource policies and practices which assure compliance with UK laws 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 the Company.

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Directors' Report at and for the period ended 24 September 2017 (amounts in thousands of Euros)

Disclosure of information to 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
- 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 KPMG LLP will therefore continue in office.

On behalf of the Board of Directors



Andrew Jones
Director

T&L Sugars Limited
Thames Refinery
Factory Road, Silvertown
London E16 2EW
29 March 2018



Tarun Arora
Finance Director

T&L Sugars Limited
Thames Refinery
Factory Road, Silvertown
London E16 2EW
29 March 2018

T&L Sugars Ltd

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements at and for the period ended 24 September 2017 (amounts in thousands of Euros)

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 T&L Sugars Ltd

We have audited the financial statements of T&L Sugars Limited ("the company") for the year ended 24 September 2017 set out on pages 9 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 24 September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of T&L Sugars Ltd

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Peter Hine (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL

29 March 2018

T&L Sugars Ltd

Income Statement Period ended 24 September 2017 (amounts in thousands of Euros)

		<u>2017</u>	<u>2016</u>
	<i>Note</i>		
Revenues		€ 326,633	€ 314,454
Expenses:			
Cost of sales		(305,958)	(298,361)
Selling, general and administrative expenses	6	(30,429)	(35,655)
Other income/(expenses)		-	30,965
Net finance expenses	5	(8,632)	(7,427)
Depreciation and amortisation	8/9	(10,014)	(9,115)
Net loss before tax		<u>(28,400)</u>	<u>(5,139)</u>
Taxation income	7	2,108	542
Net loss		€ <u>(26,292)</u>	€ <u>(4,597)</u>

The notes on pages 14 to 40 are an integral part of these Financial Statements

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Statement of Comprehensive Income Period ended 24 September 2017 (amounts in thousands of Euros)

		<u>2017</u>	<u>2016</u>
	<i>Note</i>		
Net loss for the period		€ <u>(26,292)</u>	€ <u>(4,597)</u>
Other comprehensive income (OCI):			
Items that are, or may be reclassified subsequently to the income statement:			
Fair value of:			
Cash flow hedges transferred to OCI		4,434	(3,291)
Cash flow hedges transferred to the income statement		-	(634)
Interest rate swaps transferred to the income statement		586	(416)
Pre-tax total of items taken directly to OCI		<u>5,020</u>	<u>(4,341)</u>
Tax (expense) / benefit	10	(1,003)	974
Total comprehensive income		€ <u>(22,275)</u>	€ <u>(7,964)</u>

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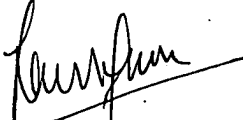
Statement of Financial Position As at 24 September 2017 (amounts in thousands of Euros)

<u>Assets</u>			<u>2017</u>	<u>2016</u>
	<i>Note</i>			
Non-current assets:				
Property, plant and equipment	8	€	122,177	€ 120,387
Intangible assets	9		2,884	2,980
Deferred tax assets	10		11,174	10,069
Investment in subsidiaries	11		16,780	16,780
Other non-current assets			3,917	7,105
Total non-current assets:			<u>156,932</u>	<u>157,321</u>
Current assets:				
Inventories	12		112,408	157,377
Trade and other receivables	13		79,887	53,748
Financial Instruments	17		114,835	99,065
Cash and cash equivalents			7,113	4,938
Total current assets			<u>314,243</u>	<u>315,128</u>
Total assets		€	<u>471,175</u>	€ <u>472,449</u>
<u>Liabilities and Equity</u>				
Current liabilities:				
Trade and other payables	14	€	91,417	€ 89,036
Loans and borrowings	15		11,519	17,488
Financial Instruments	17		115,184	93,350
Total current liabilities			<u>218,120</u>	<u>199,874</u>
Non-current liabilities:				
Loans and borrowings	15		7,833	220,517
Other financial liabilities	17		4,518	1,112
Total non-current liabilities			<u>12,351</u>	<u>221,629</u>
Total liabilities			<u>230,471</u>	<u>421,503</u>
Equity:				
Share capital	16		-	-
Share premium			310,884	98,851
Reserves			(529)	(4,546)
Retained earnings			(69,651)	(43,359)
Total equity			<u>240,704</u>	<u>50,946</u>
Total liabilities and equity		€	<u>471,175</u>	€ <u>472,449</u>

The notes on pages 14 to 40 are an integral part of these Financial Statements

These financial statements were approved by the Board of Directors on 29 March 2018 and were signed on its behalf by:


Andrew Jones
Director


Tarun Arora
Finance Director

T&L Sugars Ltd

Statement of Changes in Equity Period ended 24 September 2017 (amounts in thousands of Euros)

	Share capital	Share premium account	Hedging reserve	Retained earnings	Total equity
Balance at 27 September 2015	€ -	€ 98,851	€ (1,179)	€ (38,762)	€ 58,910
Comprehensive income:					
Net loss	-	-	-	(4,597)	(4,597)
Fair value of cash flow hedges transferred to OCI	-	-	(3,291)	-	(3,291)
Fair value of cash flow hedges transferred to the income statement	-	-	(634)	-	(634)
Fair value of interest rate swaps transferred to OCI	-	-	(416)	-	(416)
Fair value of interest rate swaps transferred to the income statement	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Tax on items taken directly to OCI	-	-	974	-	974
Total comprehensive income	-	-	(3,367)	(4,597)	(7,964)
Balance at 25 September 2016	€ -	€ 98,851	€ (4,546)	€ (43,359)	€ 50,946
Comprehensive income:					
Net loss	-	-	-	(26,292)	(26,292)
Fair value of cash flow hedges transferred to OCI	-	-	4,434	-	4,434
Fair value of cash flow hedges transferred to the income statement	-	-	-	-	-
Fair value of interest rate swaps transferred to OCI	-	-	586	-	586
Fair value of interest rate swaps transferred to the income statement	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Tax on items taken directly to OCI	-	-	(1,003)	-	(1,003)
Total comprehensive income	-	-	4,017	(26,292)	(22,275)
Loan to equity conversion	-	212,033	-	-	212,033
Balance at 24 September 2017	€ -	€ 310,884	€ (529)	€ (69,651)	€ 240,704

The notes on pages 14 to 40 are an integral part of these Financial Statements

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 hedging of future transactions.

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Statement of Cash Flows Period ended 24 September 2017 (amounts in thousands of Euros)

	Note	<u>2017</u>	<u>2016</u>
Cash from operations:			
Net loss		€ (26,292)	€ (4,597)
Adjustments			
Depreciation & amortisation	8/9	10,014	9,115
Loss on disposals of fixed assets	8	183	-
Bad debt (recovery) / expense	18	100	(829)
Net finance expense	5	8,632	7,427
Tax credit	7	(2,108)	(542)
Change in derivatives	17	5,151	31,186
Inventory provision	12	19	1,658
Decrease/(increase) in inventories	12	44,950	(13,008)
(Increase)/decrease in trade and other receivables	13	(13,713)	13,306
Increase in trade and other payables	14	2,381	39,876
Subtotal		<u>29,317</u>	<u>83,592</u>
Interest paid	5	(8,689)	(7,487)
Finance cost	5	(82)	(82)
Cash from operations		<u>20,546</u>	<u>76,023</u>
Cash from investing activities:			
Interest income	5	139	142
Investment in property, plant, and equipment	8	(11,891)	(19,628)
Cash used in investing activities		<u>(11,752)</u>	<u>(19,486)</u>
Cash from financing activities:			
(Repayment) / Proceeds from loans	15	(6,619)	(52,788)
Cash from financing activities		<u>(6,619)</u>	<u>(52,788)</u>
Net increase / (decrease) in cash and cash equivalents		<u>2,175</u>	<u>3,749</u>
Cash and cash equivalents at beginning of period		4,938	1,189
Cash and cash equivalents at end of period		€ <u>7,113</u>	€ <u>4,938</u>

The notes on pages 14 to 40 are an integral part of these Financial Statements

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

1. Reporting entity

T&L Sugars Ltd ("Company") is incorporated and domiciled in the UK. The Company's registered office and principal place of business is Thames Refinery, Factory Road, Silvertown, London, E16 2EW.

a) Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). They were authorised for issuance by the Company's Board of Directors on 29 March 2018.

The Company is exempt under Companies Act 2006 s400 from preparing consolidated group accounts. The Company and its subsidiaries are included in the consolidated accounts of its parent company, European Sugar Holdings S.à r.l., incorporated in Luxembourg.

b) Functional and presentation currency

The financial statements are presented in Euros, which is the Company's functional and presentational 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 are translated to the functional currency at the foreign exchange rate prevailing at the reporting dates. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the translation of 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 prevailing exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the prevailing foreign exchange rates at the dates the fair value is determined.

c) Use of judgements and estimates

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

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest approved budgets and forecasts, which is 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 jurisdiction in which the Company operates are also carefully 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 usually recognised in full. There are no reserves on the deferred tax asset included in the statement of financial position.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

c) Use of judgements and estimates (continued)

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 in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company'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.

Fair value of financial instruments – refer to note 17

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 a knowledgeable market participant would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

d) Significant accounting policies

Going concern

The Directors, having assessed the Company's financial position, results of operations and future business prospects believe that the Company will continue as a going concern and meet its financial and trade obligations in the due course of its operations.

On the basis of this assessment and the commitment of the ASR Group (the Company's ultimate parent) to its European operations, the Directors believe that the Company will continue in operational existence for the foreseeable future. As such, the financial statements have been prepared on a going concern basis.

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 instrument. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for derivative financial instruments 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 the 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. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets, except for trade receivables, that are recognised in the income statement offset any volatility related to the hedged item. Impairment in relation to trade receivables is presented within 'selling, general and administrative expenses'.

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Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

1. d) Significant accounting policies (continued)

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 held for trading or designated at fair value and adjusted through the income statement, that are carried subsequently at fair value with gains or losses recognised in the 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 and effective as 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 and are stated at net realisable value at the reporting date. 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.

- **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 as held for trading 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 income statement.

Refer to notes 17 and 18 for more details regarding the Company's use of derivatives.

Cash flow hedging instruments

Hedges of firm commitments and highly probable forecasted transactions, including forecasted intra-group transactions that are expected to affect the income statement are designated as cash flow hedges. To the extent that movements in the fair values (based on market valuation of these instruments) effectively offset the underlying risk being hedged they are recognised in the hedging reserve in equity until the period during which the hedged firm commitment or forecast transaction affects the income statement. At that point the cumulative gain or loss is recognised in the income statement, offsetting the value of the hedged transaction.

The Company 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.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

1. d) Significant accounting policies (continued)

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 income statement for the period. The Company uses foreign exchange forwards to hedge foreign currency risk associated with committed transactions.

Commodity futures

The Company trades in commodity futures to economically hedge the price risk associated with its forecasted sales and purchases of sugar. These future contracts are classified as held for trading and are measured at fair value with any movement in fair value recorded in the 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 as held for trading and measured at fair value through the income statement based on market valuation techniques.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of 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 accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the 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 the Company. The Company 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.

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 income statement.

T&L Sugars Ltd

Notes to financial statements
Period ended 24 September 2017
(amounts in thousands of Euros)

1. d) Significant accounting policies (continued)

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 is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment at the reporting date.
- **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 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 years
Proprietary technology	10 years

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 expenditure 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)

A financial asset not carried at fair value through the income statement 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 measured 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 income statement.

Non-financial assets

The carrying amounts of the Company'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

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

1. d) Significant accounting policies (continued)

Non-financial assets (continued)

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.

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

An impairment loss in respect of goodwill is not reversed. 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

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays annual contributions 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 income statement in the periods during which services are rendered by employees.

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. The Company 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

Sale of goods comprises the sale of sugar and is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

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 income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

1. d) Significant accounting policies (continued)

Taxation

The tax expense recognised in the income statement represents the sum of the current tax and deferred tax not recognised in the statement of comprehensive income.

The current tax is based on taxable profit. Taxable profit differs from net profit as reported in the 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. The Company'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 financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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 the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax benefit or expense in the income statement, except where they relate to items that are recognised in the statement of comprehensive income.

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 includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Revisions to IFRS applicable 2017 onwards

Standards and interpretations issued by the IASB are only applicable if endorsed by the EU. If endorsed, the following will be applicable after 2017:

IFRS 9, Financial Instruments (endorsed by the EU on 22 November 2016, effective from 1 January 2018) will simplify the classification of financial assets for measurement purposes. At this time, the Company has not yet completed its assessment of the impact of IFRS 9.

IFRS 15, Revenue from Contracts with Customers, (endorsed by the EU on 22 September 2016, effective from 1 January 2018) provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to the customer.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

1. d) Significant accounting policies (continued)

Revisions to IFRS applicable 2017 onwards (continued)

It replaces the separate models for goods, services and construction contracts currently included in IAS 11, Construction Contracts and IAS 18, Revenue. At this time the Company has not yet completed its assessment of the impact of IFRS 15.

IFRS 16, Leases (effective from 1 January 2019) provides a new model for lease accounting in which all leases, other than short term and small- ticket-item leases, will be accounted for by the recognition of a right-to-use asset and a lease liability on the balance sheet. The right to use asset will subsequently be amortised over the lease term. The Directors are currently assessing potential impact of the new requirements to recognise a right to use asset and a related liability under IFRS 16. Until the review by the directors is completed, it is not feasible to provide a reasonable impact estimate on the financial statements. Information on the Company's leases currently classified as operating leases, which are not recognised on the balance sheet, is provided in note 19. The Company does not expect to adopt IFRS 16 before 1 January 2019.

The Company does not consider that any other standards, amendments or interpretations issued by the IASB but not yet applicable, will have a significant impact on the results or consolidated financial statements.

2. Auditor's remuneration

Auditor's remuneration paid in 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Audit of financial statements	€ 229	€ 151
Services relating to taxation and other advice	<u>151</u>	<u>280</u>
Total auditor's remuneration	<u>€ 380</u>	<u>€ 431</u>

3. Employee headcount, cost and benefits

	<u>2017</u>	<u>2016</u>
Average employee headcount:		
Operations	406	384
Sales, general and administration	<u>205</u>	<u>197</u>
Total average employee headcount	<u>611</u>	<u>581</u>
Employee cost and benefits:		
Wages and salaries	€ 36,017	€ 36,570
Social security costs	4,015	3,929
Pension costs	<u>2,658</u>	<u>2,714</u>
Total employee cost and benefits	<u>€ 42,690</u>	<u>€ 43,213</u>

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

4. Directors' remuneration

Directors' remuneration paid in 2017 as follows:

	<u>2017</u>	<u>2016</u>
Director's salaries	€ 428	€ —
Defined contribution pension costs	11	—
Other benefits	45	—
Total directors' remuneration	€ 484	€ —

The Directors of the Company for the period ended 25 September 2016 were employed by other group companies. In that period, no Directors' remuneration arose in the UK as any relevant qualifying services provided to the Company by those Directors were considered incidental to their overall responsibilities to the ASR Group.

5. Net finance expense

Net finance expenses consist of the following during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest income on cash deposits	€ 139	€ 142
Interest payable on borrowings	(8,689)	(7,487)
Bank charges	(82)	(82)
Total net finance expense	€ (8,632)	€ (7,427)

Interest payable on borrowings includes €8,277 (2016: €6,971) of interest payable to the Company's parent.

6. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Sales expenses	€ (12,623)	€ (11,710)
General and administrative expenses	(17,806)	(23,945)
Selling, general and administrative expenses	€ (30,429)	€ (35,655)

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

7. Taxation

Tax recognised in the income statement for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Deferred tax credit recognised in the period	<u>2,108</u>	<u>542</u>
Total tax credit recognised in the period	€ <u>2,108</u>	€ <u>542</u>

Tax recognised directly in equity:

Total deferred tax credit / (charge) recognised in equity	€ <u>(1,003)</u>	€ <u>974</u>
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The relationship between the expected tax charge based on the standard corporation tax rate of 19.5% (2016: 20%) and the reported tax credit in the income statement is explained as follows:

Loss before tax	<u>€ (28,400)</u>	<u>€ (5,139)</u>
Income tax credit using the UK corporation tax rate of 19.5% (2016: 20%)	<u>€ 5,538</u>	<u>€ 1,028</u>
Effect of change in tax rates	<u>(1,627)</u>	<u>(222)</u>
Non-deductible expenses	<u>(1,381)</u>	<u>(464)</u>
Other	<u>(422)</u>	<u>200</u>
Total tax credit	€ <u>2,108</u>	€ <u>542</u>

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on September 2016. The deferred tax asset at 24 September 2017 has been calculated based on the rate of 17%, being the substantively enacted rate at the balance sheet date at which the asset is expected to be realised.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

8. Property, plant and equipment

A summary of activity for 2016 and 2017 in property, plant and equipment is presented below:

	Freehold land and buildings	Plant and machinery	Assets under construction	Total
<u>Gross carrying amount</u>				
Balance at 27 September 2015	€ 31,582	€ 98,866	€ 17,921	€ 148,369
Additions	1,328	5,408	12,892	19,628
Transfers	1,259	7,682	(8,941)	-
Balance at 25 September 2016	34,169	111,956	21,872	167,997
Additions	287	1,803	9,801	11,891
Transfers	10,073	11,713	(21,786)	-
Disposals	-	(3,378)	-	(3,378)
Balance at 24 September 2017	€ 44,529	€ 122,094	€ 9,887	€ 176,510
<u>Depreciation</u>				
Balance at 27 September 2015	(2,508)	(36,083)	-	(38,591)
Charge for the period	(653)	(8,366)	-	(9,019)
Balance at 25 September 2016	(3,161)	(44,449)	-	(47,610)
Charge for the period	(739)	(9,179)	-	(9,918)
Disposals	-	3,195	-	3,195
Balance at 24 September 2017	€ (3,900)	€ (50,433)	€ -	€ (54,333)
Net book value at 25 September 2016	€ 31,008	€ 67,507	€ 21,872	€ 120,387
Net book value at 24 September 2017	€ 40,629	€ 71,661	€ 9,887	€ 122,177

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

9. Intangible assets

A summary of intangible assets by type, and activity in these balances, for 2016 and 2017 is as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Proprietary Technology</u>	<u>Total</u>
Balance at 27 September 2015	€ 2,598	€ -	€ 478	€ 3,076
Amortisation charge	-	-	(96)	(96)
Balance at 25 September 2016	2,598	-	382	2,980
Amortisation charge	-	-	(96)	(96)
Balance at 24 September 2017	€ 2,598	€ -	€ 286	€ 2,884
Gross carrying amounts:				
2016	€ 13,953	€ 542	€ 623	€ 15,118
2017	13,953	542	623	15,118
Accumulated amortisation:				
2016	€ -	€ (542)	€ (241)	€ (783)
2017	-	(542)	(337)	(879)
Accumulated impairment:				
2016	€ (11,355)	€ -	€ -	€ (11,355)
2017	(11,355)	-	-	(11,355)
Net book value:				
2016	€ 2,598	€ -	€ 382	€ 2,980
2017	2,598	-	286	2,884

Impairment testing

For the purposes of the impairment review TLS is treated as a single cash-generating unit (CGU). The goodwill asset as at the end of 2017 and 2016 attributable to the CGU is shown above.

	<u>2017</u>	<u>2016</u>
Management approved forecast period	5 years	5 years
Growth rate applied beyond approved forecast period	2.0%	2.0%
Pre-tax discount rate	14.8%	13.6%

Estimated cash flows are based on the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions. The post-tax cash flow projections have been discounted at 12%, based on the Company's weighted average cost of capital.

Sensitivity analysis

Impairment testing is dependent on assumptions deemed appropriate by management; in particular the estimated cash flows and the discount rate applied to those cash flows are key assumptions in arriving at the headroom of €82,000 (2016: €84,000). The directors do not consider that a reasonably likely change in the assumptions would cause the value of goodwill to fall below its carrying value.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities at the end of 2017 are attributable to the following:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Property, plant and equipment	€ 6,042	€ -	€ 6,042
Tax value of losses carried forward	610	-	610
Financial assets and liabilities	4,555	-	4,555
Other short-term timing differences	-	(33)	(33)
Total deferred tax assets and liabilities	€ 11,207	€ (33)	€ 11,174

Movement in deferred tax during the period:

	<u>2016</u>	<u>Recognised in income</u>	<u>Recognised directly in equity</u>	<u>2017</u>
Property, plant and equipment	€ 5,562	€ 480	€ -	€ 6,042
Tax value of loss carry-forward	3,075	(2,465)	-	610
Financial assets and liabilities	1,507	4,051	(1,003)	4,555
Other	(75)	42	-	(33)
Total	€ 10,069	€ 2,108	€ (1,003)	€ 11,174

There are no unrecognised deferred tax assets or liabilities in the Company.

11. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	<u>Country of Incorporation</u>	<u>Class of shares held</u>	<u>Ownership</u>	
			<u>2017</u>	<u>2016</u>
ASR Germany GmbH & Co. KG.*	Germany	Ordinary	100%	100%
ASR Germany Beteiligungs GmbH	Germany	Ordinary	100%	100%

*ASR Germany GmbH & Co. KG.'s and ASR Germany Beteiligungs GmbH address is Langendorfer Strasse 21, Weissenfels, 06667 Germany.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

12. Inventories

Inventories consist of the following at the end of 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Raw sugar and consumables	€ 66,246	€ 107,987
Work in progress	3,653	7,720
Finished goods	30,919	30,051
Manufacturing Supplies	11,590	11,619
Total inventories	€ 112,408	€ 157,377

An inventory provision of €3,991 is included within the inventory value on the balance sheet (2016: €3,972).

13. Trade and other receivables

Trade and other receivables consist of the following at the end of 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Trade receivables	€ 35,478	€ 27,015
Amounts due from related parties	39,154	19,931
Prepayments	2,264	2,533
VAT recoverable	2,991	3,864
Other	-	405
Total trade and other receivables	€ 79,887	€ 53,748

All trade and other receivables are expected to be recovered within 12 months.

€10,000 of trade receivables have been securitised (2016: €10,000), as disclosed in note 15, under the accounts receivable securitization loan.

14. Trade and other payables

Trade and other payables consist of the following at the end of 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Trade payables	€ 20,970	€ 23,966
Amounts due to related parties	9,893	23,016
Accrued expenses	57,296	39,069
Other payables	3,258	2,985
Total trade and other payables	€ 91,417	€ 89,036

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

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

15. Loans and borrowings

Loans and borrowings in 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Included in current liabilities		
Other intercompany loans	€ 1,519	€ 7,488
A/R securitization loan	<u>10,000</u>	<u>10,000</u>
Total current loans and borrowings	11,519	17,488
Included in non-current liabilities		
Loans from parent companies	<u>7,833</u>	<u>220,517</u>
Total non-current loans and borrowings	7,833	220,517
Total loans and borrowings	€ 19,352	€ 238,005

Credit facilities and arrangements

Loans from parent companies

The Company's immediate parent, European Sugar Holdings S.à r.l. ("ESH") has provided a €110,000 loan facility at the higher of 5% or the average borrowing rate of multi-currency facility, discussed below, plus 1%. The facility matures on 30 September 2020. On 22 September 2017 this loan commitment was terminated and replaced in full with additional equity, resulting in no outstanding balance at 24 September 2017 (2016: €107,213).

American Sugar Refining, Inc., a US subsidiary of ASR Group, has provided a revolving credit commitment to the Company at a rate of Libor plus a spread in line with available third party debt pricing and availability. On 22 September 2017 the revolving credit commitment, which is due to expire on 30 September 2022, was amended to reduce the maximum capacity from \$225,000 to \$100,000. At 24 September 2017, \$9,360 (€7,832) has been drawn down under this facility (2016: \$127,150, €113,304). The carrying amount of the loan approximates fair value.

Multi-currency facility

The Company 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 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 24 September 2017.

Accounts receivable securitization

The accounts receivable securitization loan is provided based on the lender's first lien on the Company's 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 24 September 2017, the outstanding balance was €10,000 (2016: €10,000) and the interest rate on the outstanding amount was fixed at 2.8%.

Carrying value of loans and borrowings

The fair value of loans and borrowings, except the Company's interest rate swaps as discussed in Note 17, approximates the carrying amount.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

16. Share capital

There are 300 ordinary shares outstanding at the end of 2017 and 200 in 2016 with a value of €1.00 each.

The holders of ordinary shares are entitled to one vote per share at meetings of the Company. No dividends were declared during 2017 or 2016.

17. Financial instruments

Analysis to reconcile classes of financial instruments into assets and liabilities is as follows:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Current derivative financial instruments				
Forward foreign exchange contracts – cash flow hedges	€ 153	€ (7,221)	€ 12,353	€ (13,995)
Foreign exchange contracts – not in hedge accounting relationship	40,877	(68,503)	39,878	(41,934)
Foreign exchange on priced contracts	8,509	(122)	1,821	(5,245)
Interest rate swaps – cash flow hedge	-	(222)	-	-
Commodity derivatives	64,527	(38,357)	33,365	(32,018)
Commodity purchase contracts	769	(759)	2,308	(158)
Subtotal	114,835	(115,184)	89,725	(93,350)
Other non-current derivative financial instruments				
Interest rate swaps – cash flow hedge	-	(279)	-	(1,112)
Commodity derivatives	-	(4,239)	-	-
Total financial instruments	€ 114,835	€ (119,702)	€ 89,725	€ (94,462)

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

17. Financial instruments (continued)

Analysis to reconcile classes of financial instruments to categories of financial instruments at the end of 2017 and 2016:

<u>24 September 2017</u>	<u>Loans and receivables</u>	<u>Fair value through income statement</u>	<u>Derivatives designated in effective hedge</u>	<u>Financial liabilities at amortised cost</u>	<u>Total carrying value</u>
Trade and other receivables	€ 79,887	€ -	€ -	€ -	€ 79,887
Cash and cash equivalent	7,113	-	-	-	7,113
Interest rate swap, net ⁽¹⁾	-	-	(501)	-	(501)
Forward foreign exchange contracts – cash flow hedges, net ⁽²⁾	-	-	(7,069)	-	(7,069)
Foreign exchange contracts – not in hedge relationship, net ⁽²⁾	-	(27,626)	-	-	(27,626)
Foreign exchange on priced contracts, net ⁽²⁾	-	8,387	-	-	8,387
Commodity derivatives	-	21,931	-	-	21,931
Commodity purchase contracts	-	10	-	-	10
Other financial assets	-	-	-	-	-
Borrowings	-	-	-	(19,352)	(19,352)
Trade and other payables	-	-	-	(91,417)	(91,417)
Total	€ 87,000	€ 2,702	€ (7,570)	€ (110,769)	€ (28,637)

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

(2) The notional value of the forward contracts is €500,022.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

17. Financial instruments (continued)

<u>25 September 2016</u>	<u>Loans and receivables</u>	<u>Fair value through income statement</u>	<u>Derivatives designated in effective hedge</u>	<u>Financial liabilities at amortised cost</u>	<u>Total carrying value</u>
Trade and other receivables	€ 53,748	€ -	€ -	€ -	€ 53,748
Cash and cash equivalent	4,938	-	-	-	4,938
Interest rate swap ⁽¹⁾	-	-	(1,112)	-	(1,112)
Forward foreign exchange contracts – cash flow hedges, net ⁽²⁾	-	-	(1,642)	-	(1,642)
Foreign exchange contracts – not in hedge relationship, net ⁽²⁾	-	(2,056)	-	-	(2,056)
Foreign exchange on priced contracts, net ⁽²⁾	-	(3,424)	-	-	(3,424)
Commodity derivatives	-	1,347	-	-	1,347
Commodity purchase contracts	-	2,150	-	-	2,150
Other financial assets *	9,340	-	-	-	9,340
Borrowings	-	-	-	(238,005)	(238,005)
Trade and other payables	-	-	-	(89,036)	(89,036)
Total	€ 68,026	€ (1,983)	€ (2,754)	€ (327,041)	€ (263,752)

* Other financial assets relates to margin deposits

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

(2) The notional value of the forward contracts is €480,615.

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.

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Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

17. Financial instruments (continued)

Derivative financial instruments are segregated as follows at 24 September 2017 and 25 September 2016 based on fair value levels of valuation:-

Derivative financial instruments

	<u>24 September 2017</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Derivative financial assets:			
Forward foreign exchange contracts - cash flow hedges	€ -	€ 153	€ 153
Foreign exchange contracts - not in hedge accounting relationship	-	40,877	40,877
Foreign exchange on priced contracts	-	8,509	8,509
Commodity derivatives	64,527	-	64,527
Commodity purchase contracts	-	769	769
Derivative financial assets at fair value	€ 64,527	€ 50,308	€ 114,835

Derivative financial liabilities:			
Forward foreign exchange contracts - cash flow hedges	€ -	€ (7,221)	€ (7,221)
Foreign exchange contracts - not in hedge accounting relationship	-	(68,503)	(68,503)
Foreign exchange on priced contracts	-	(122)	(122)
Commodity derivatives	(42,596)	-	(42,596)
Commodity purchase contracts	-	(759)	(759)
Interest rate swap	-	(501)	(501)
Derivative financial liabilities at fair value	€ (42,596)	€ (77,106)	€ (119,702)

	<u>25 September 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Derivative financial assets:			
Forward foreign exchange contracts - cash flow hedges	€ -	€ 12,353	€ 12,353
Foreign exchange contracts - not in hedge accounting relationship	-	39,878	39,878
Foreign exchange on priced contracts	-	1,821	1,821
Commodity derivatives	33,365	-	33,365
Commodity purchase contracts	-	2,308	2,308
Derivative financial assets at fair value	€ 33,365	€ 56,260	€ 89,725

Derivative financial liabilities:			
Forward foreign exchange contracts - cash flow hedges	€ -	€ (13,995)	€ (13,995)
Foreign exchange contracts - not in hedge accounting relationship	-	(41,934)	(41,934)
Foreign exchange on priced contracts	-	(5,245)	(5,245)
Commodity derivatives	(32,018)	-	(32,018)
Commodity purchase contracts	-	(158)	(158)
Interest rate swap	-	(1,112)	(1,112)
Derivative financial liabilities at fair value	€ (32,018)	€ (62,444)	€ (94,462)

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Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

17. Financial instruments (continued)

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 24 September 2017 and 25 September 2016 were as follows:-

<u>24 September 2017</u>	<u>Gross</u>	<u>Net-off</u>	<u>Net</u>
Assets	41,030	(41,030)	-
Liabilities	(75,726)	41,030	(34,696)
Total	<u>(34,696)</u>	<u>-</u>	<u>(34,696)</u>

<u>25 September 2016</u>	<u>Gross</u>	<u>Net-off</u>	<u>Net</u>
Assets	42,058	(32,732)	9,326
Liabilities	(45,316)	32,732	(12,584)
Total	<u>(3,258)</u>	<u>-</u>	<u>(3,248)</u>

Cash flow hedge

The Company employs forward foreign exchange contracts, swaps and options and interest rate swaps to hedge cash flow risk associated with forecast transactions.

The cash flows associated with foreign currency forwards are expected to impact the income statement within the next 48 months and the cash flows associated with the interest rate swap are expected to impact the income statement over the next 5 years.

18. Management of financial risk

The key financial risks faced by the Company are credit risk, liquidity risk, and market risks, which include interest rate, foreign exchange, and certain commodity price risks. The Board regularly reviews these risks.

The majority of the Company's financing, interest rate and foreign exchange risk are managed through the treasury function. The Board approves policies and procedures setting out permissible funding and hedging instruments and a system of authorities for the approval of transactions and exposures within the limits approved by the Board.

Commodity price risks are managed through ASR Group's Global Sugars Group division. Commodity hedging contracts are categorised as held for trading or for economically hedging price exposures.

The derivative financial instruments approved by the Board of the Company 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 the Company's outstanding receivables. The Company 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 Board.

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Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

18. Management of financial risk (continued)

The Company runs a credit control department to manage credit risk by assessing the financial strength of new customers using credit agencies and extending credit accordingly and carefully managing exposures. The credit policy is evaluated on a regular basis.

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

	2017	2016
Trade receivables	€ 35,478	€ 27,015
Bank balances	7,113	4,938
Amounts due from related parties	39,154	19,931
Forward foreign exchange contracts - cash flow hedges	153	12,353
Forward foreign exchange contracts - not in hedge relationship	40,877	39,878
Commodity futures - not in hedge relationship	64,527	33,365
Other financial assets	-	9,340
Commodity purchase contracts	769	2,308
Total exposure to credit risk	€ 188,071	€ 149,128

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

	2017	2016
Not past due	€ 29,037	€ 21,414
Past due 0-28 days	5,073	4,964
More than 28 days	1,368	637
Total trade receivables	€ 35,478	€ 27,015

The movement in the provision against trade receivables during the period was as follows:

Balance at beginning of period	€ 394	€ 1,223
Increase / (Reduction) in bad debt provision	100	(829)
Balance at end of period	€ 494	€ 394

Liquidity risk management

The Company 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 banks. The Company 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 the Company. It is ASR Group's policy to manage its financial position so as to operate within agreed covenanted restrictions. In both the current and comparative reporting period, ASR Group complied with its financial covenants at all measurement points.

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Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

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 of the underlying liability excluding the effect of netting agreements.

24 September 2017	Total	1 year or less	1 to 2 years	2 to 5 years	5 years or greater
Non-derivative financial liabilities:					
Loan from parent companies	€ (7,833)	€ —	€ —	€ —	€ (7,833)
Other intercompany loans	(1,519)	(1,519)	—	—	—
Trade payables	(20,970)	(20,970)	—	—	—
Amounts due to related parties	(9,893)	(9,893)	—	—	—
Accrued expenses	(57,296)	(57,296)	—	—	—
A/R securitization loan	(10,000)	(10,000)	—	—	—
Other payables	(3,258)	(3,258)	—	—	—
Subtotal	(110,769)	(102,936)	—	—	(7,833)
Derivative financial liabilities:					
Interest rate swaps	(501)	(222)	—	—	(279)
Commodity futures	(42,596)	(38,357)	(4,195)	(43)	(1)
Forward foreign exchange contracts:					
- Outflow	(1,270,030)	(1,056,689)	(208,072)	(5,269)	—
- Inflow	770,008	756,150	13,858	—	—
Subtotal	(543,119)	(339,118)	(198,409)	(5,312)	(280)
Total financial liabilities	€ (653,888)	€ (442,054)	€ (198,409)	€ (5,312)	€ (8,113)

25 September 2016	Total	1 year or less	1 to 2 years	2 to 5 years	5 years or greater
Non-derivative financial liabilities:					
Loan from parent companies	€ (220,517)	€ —	€ —	€ —	€ (220,517)
Other intercompany loans	(7,496)	(7,496)	—	—	—
Trade payables	(23,966)	(23,966)	—	—	—
Amounts due to related parties	(23,016)	(23,016)	—	—	—
Accrued expenses	(39,069)	(39,069)	—	—	—
A/R securitization loan	(10,003)	(10,003)	—	—	—
Other payables	(2,985)	(2,985)	—	—	—
Subtotal	(327,052)	(106,535)	—	—	(220,517)
Derivative financial liabilities:					
Interest rate swaps	(1,112)	—	(532)	—	(580)
Commodity futures	(32,018)	(31,062)	(915)	(41)	—
Forward foreign exchange contracts:					
- Outflow	(938,369)	(588,372)	(296,643)	(53,354)	—
- Inflow	1,418,984	899,700	418,588	100,696	—
Subtotal	447,485	280,266	120,498	47,301	(580)
Total financial liabilities	€ 120,433	€ 173,731	€ 120,498	€ 47,301	€ (221,097)

T&L Sugars Ltd

Notes to financial statements
Period ended 24 September 2017
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18. Management of financial risk (continued)

Market Risks

Foreign currency risk

The Company operates in a multi-currency 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

The Company's policy is to hedge 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, 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.

Sensitivity analysis

A 5% strengthening of the USD and GBP against the Euro at the end of 2017 would have resulted in a credit to the cash flow hedge reserve of approximately €213 in 2017 (2016: €1,412) and a loss of €24,050 in 2017 (2016: €23,652) in the income statement. The 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

The Company 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 24 September 2017, the percentage of interest-bearing debt with a fixed rate yield was 34% and the percentage of interest-bearing debt with a variable yield was 66%.

The Company 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 held as at 24 September 2017 assuming that other variables remain unchanged

If interest rates increase by 100 basis points, the Company's 2017 income before tax would have decreased by approximately €176 (2016: €2,280). The impact on the cash flow hedge reserve would be a credit of approximately €90 (2016: €2,638).

T&L Sugars Ltd

Notes to financial statements
Period ended 24 September 2017
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18. Management of financial risk (continued)

The interest rate profile for the Company's interest-bearing financial instrument is as follows:

	<u>2017</u>	<u>2016</u>
Fixed rate instruments:		
Effect of interest rate swaps	<u>(10,000)</u>	<u>(10,000)</u>
Total fixed rate instruments	€ <u>(10,000)</u>	€ <u>(10,000)</u>
Variable rate instruments:		
Financial assets – cash	€ 7,113	€ 4,938
Financial liabilities – borrowings	<u>(19,352)</u>	<u>(238,005)</u>
Effect of interest rate swaps	<u>10,000</u>	<u>10,000</u>
Total variable rate instruments	€ <u>(2,239)</u>	€ <u>(223,067)</u>

Price risk management

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

All the Company's commodity pricing contracts are held for trading and changes in mark-to-market values of these contracts are taken directly into the income statement.

If the price of sugar was to increase by 10% it would have resulted in a fair value gain of approximately €8,610 in 2017 (2016: 8,532). A decrease of 10% would result in approximately an equal but opposite impact to the income statement.

Capital risk management

The key purpose of the Company's capital risk management process is to ensure the capital structure supports the on-going operations of the business such that the Company continues as a going concern. To achieve this, the Company adopts a flexible capital structure to ensure a low and ultimately sustainable cost of capital. This ensures the Company can continue to make careful risk appraised investments to support the long term viability of the business.

The Company'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.

T&L Sugars Ltd

Notes to financial statements Period ended 24 September 2017 (amounts in thousands of Euros)

19. Operating leases

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

	<u>2017</u>	<u>2016</u>
Not later than one year	€ 1,074	€ 958
Later than one year and no later than 5 years	2,378	2,312
Later than 5 years	394	806
Total non-cancellable operating lease rentals	€ 3,846	€ 4,076

The Company leases properties, vehicles, plant and equipment under non-cancellable operating lease agreements. During 2017, €1,203 was recognised as operating lease expense in the income statement (2016: €1,032).

20. Capital commitments

At 24 September 2017 the Company was committed to property, plant and equipment purchases of €3,442 (2016: €5,888).

21. Related party disclosures

The Company has related party relationships with its subsidiaries, parent company and other group companies and with key management being its Directors. No related party relationships with close family members of the Company's key management existed in the current or comparative period.

The following sales and expenses were made to and incurred from group companies during the period and all such transactions were made on an arm's length basis.

Transactions with related parties

<u>For the period ended 24 September 2017</u>	<u>Sales to</u>	<u>Purchases from</u>	<u>Service income</u>	<u>Service expenses</u>
Parent	€ -	€ -	€ 122	€ -
Subsidiaries	403	(4,275)	329	(12)
Other related parties	146,206	(47,474)	10,784	(5,038)
Total	€ 146,609	€ (51,749)	€ 11,235	€ (5,050)

<u>For the period ended 24 September 2017</u>	<u>Interest income</u>	<u>Interest expense</u>	<u>Other income</u>	<u>Other Expense</u>
Parent	€ -	€ (5,577)	€ -	€ (874)
Subsidiaries	135	-	-	-
Other related parties	3	(2,750)	40	-
Total	€ 138	€ (8,327)	€ 40	€ (874)

T&L Sugars Ltd

Notes to financial statements
Period ended 24 September 2017
(amounts in thousands of Euros)

21. Related party disclosures (continued)

Transactions with related parties (continued)

For the period ended 25 September 2016	Sales to	Purchases From	Service income	Service expense
Parent	€ 35,756	€ -	€ 7,634	€ (3,974)
Subsidiaries	64	(3,551)	379	(33)
Other related parties	161,823	(42,523)	5,926	(1,499)
Total	€ 197,643	€ (46,074)	€ 13,939	€ (5,506)

For the period ended 25 September 2016	Interest income	Interest Expense	Other income	Other Expense
Parent	€ -	€ (6,971)	€ 28	€ (872)
Subsidiaries	77	-	-	-
Other related parties	78	(92)	4	(805)
Total	€ 155	€ (7,063)	€ 32	€ (1,677)

Balances with related parties

At 24 September 2017	Receivables outstanding	Payables outstanding	Loan receivable	Loan Payable
Parent	€ -	€ (709)	€ -	€ -
Subsidiaries	295	-	12,047	-
Other related parties	26,670	(9,173)	142	(9,362)
Total	€ 26,965	€ (9,882)	€ 12,189	€ (9,362)

At 25 September 2016	Receivables outstanding	Payables outstanding	Loan receivable	Loan Payable
Parent	€ 2,309	€ (1,887)	€ -	€ (220,517)
Subsidiaries	172	(94)	8,338	-
Other related parties	9,112	(21,035)	-	(7,488)
Total	€ 11,593	€ (23,016)	€ 8,338	€ (228,005)

In the current period the Company has included additional disclosures in respect of interest income and expense, service income and expense, other income and expense and loans receivable and payable. Prior period comparatives in respect of these items are also included.

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22. Parent company guarantee – exemption from audit for subsidiary companies

In accordance with s479C of the UK Companies Act 2006, the Company has given a guarantee to the following subsidiary company in respect of the accounting period ended 24 September 2017, which means it is exempt from the requirements of the Companies Act 2006 relating to the audit of individual company accounts. The guarantee effectively means that the Company will discharge all outstanding liabilities of the subsidiary company as at 24 September 2017 should the subsidiary be unable to satisfy them.

Company	Registered number
T&L Sugars Death Benefits Scheme Trustees Ltd	07358348

23. Parent and ultimate parent

The Company is a subsidiary of European Sugar Holdings S.à r.l. ("ESH"), incorporated and domiciled in the Grand Duchy of Luxembourg, and its parent company is ASR Group International, Inc. ("ASR Group") in the United States of America.

The results of the Company are consolidated by ASR Group and ESH Group.

The consolidated financial statements of ASR Group are not available to the public. The consolidated financial statements of ESH are available to the public and can be obtained from 75 Parc d'Activites Capellen, L-3808, Grand Duchy of Luxembourg.