S&B Herba Foods Limited

Financial Statements

For the year ended 31 December 2008

Company no 156737

Company information

Company registration number	156737
Registered office	Berwick House 8-10 Knoll Rise Orpington Kent BR6 0EL
Directors	A Hernandez Callejas F Hernandez Callejas P J Cattaneo R L Holben R Lopez Relimpio
Secretary	P J Cattaneo
Bankers	Citibank, N.A. Canada Square London E14 5LB
Solicitors	Baker & McKenzie LLP 100 New Bridge Street London EC4V 6JA
Auditors	Grant Thornton UK LLP Registered Auditor Chartered Accountants The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT

Index to the financial statements

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Principal activity

The company's principal activity during the year continued to be the importing of produce for distribution to the grocery trade.

Business review

This year has been one of the most challenging in the company's history. With a world shortage of all types of rice and export prohibitions by many exporting countries we were able from our large portfolio of suppliers in many rice growing countries to service the UK market and meet the increased demand from our regular customers as well as taking on new customers. The credit crunch also put even greater pressure on our business with the increased financial exposure. We put into place extra resource in our financial department to help meet these pressures. A general manager at the Cambridge factory was appointed in the middle of the year. This appointment was from within to improve and oversee more efficiencies.

There was a profit for the year after taxation amounting to £5,092,001 (2007: £3,171,487). The directors do not recommend the payment of a dividend. Improved sales in added value products increased gross profit margins.

The company uses various financial instruments including loans, cash, equity investments, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. In order to manage the company's exposure to those risks, in particular the company's exposure to interest rate risk and currency risk the company enters into a number of derivative transactions including forward foreign currency contracts.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

About 10% of the company's sales are to customers in continental Europe. These sales are priced in sterling but invoiced in the currencies of the customers involved. The company policy is to eliminate all currency exposures on any balance not expected to mature within 30 days of it arising through the use of forward currency contracts.

About 75% of the company's purchases are invoiced in Euros and US dollars, but sold in sterling. The company policy is to use forward currency contracts to minimise the risk associated with that exposure.

Report of the directors

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The company exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities.

Credit risk

The company's principal financial assets are property, cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Directors

The present membership of the Board is set out below. All served on the Board throughout the year, unless stated.

A Hernandez Callejas
F Hernandez Callejas
P J Cattaneo
R L Holben
R Lopez Relimpio

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual 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 the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the

Report of the directors

Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Supplier payment policy

It is the company's policy to agree terms of trade in advance with all suppliers, both locally and, where applicable, on a global basis and adhere to them. The amount of trade creditor days outstanding at the year end was 65 days (2007 - 47days).

BY ORDER OF THE BOARD

Secretary

22 June 2009

Report of the independent auditors to the members of S&B Herba Foods Limited

We have audited the financial statements of S & B Herba Foods Limited for the year ended 31 December 2008 which comprise the principal accounting policies, the profit and loss account, the statement of total recognised gains and losses, the balance sheet and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of S&B Herba Foods Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
GATWICK

24 June 2009

Principal accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies have remained unchanged from the previous year.

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows.

Consolidated financial statements

S&B Herba Foods Limited is exempt from the obligations to prepare group financial statements under section 228 of the Companies Act 1985. Accordingly, these financial statements present information about S&B Herba Foods Limited as an individual undertaking and not as a group. The immediate parent company of S&B Herba Foods Limited is Ebro Puleva S.A., a company incorporated in Spain. The results of S&B Herba Foods Limited are included in the consolidated financial statements of Ebro Puleva S.A. Details of Ebro Puleva S.A are given in note 20 to the financial statements.

Turnover

Turnover represents the invoiced value of goods and services to third parties excluding value added tax. Revenue is recognised on delivery of goods to the customer.

Goodwill

True and fair override on valuation of subsidiary companies.

The cost of the company's investment in its subsidiary undertakings reflected the underlying fair value of the net assets acquired at that time. As the cost of the company's investment is greater than the net asset value of the subsidiary undertakings the difference is considered to have represented goodwill on consolidation.

On 2 December 2006 the trade and assets of Vogan & Co Limited and Joseph Heap & Sons Limited were hived up to the parent company at book value. As a result, the carrying value of the investment in the book of S&B Herba Foods Limited was not supported by adequate assets in the subsidiaries. The goodwill in the trades acquired with the subsidiaries is now goodwill in the parent company and is amortised over its remaining useful economic life of twenty years commencing 1 January 2007.

The balance of the investment has been written off.

Fixed assets

All fixed assets are initially recorded at cost.

Principal accounting policies

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 25 years
Industrial houses	-	over 50 years
Plant and machinery	-	over 10 years
Fixtures, fittings, tools and equipment	-	over 10 to 15 years
Computer equipment	-	over 5 years
Office and technical equipment	-	over 3 to 7 years
Furniture	-	over 7 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

Fixed asset investments are shown at cost less amounts written off. The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated for each consignment at the lower of actual cost and net realisable value. Cost includes insurance, freight and duty charges incurred to bring the produce to UK warehouses.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Forward purchases and sales of goods are entered into in the ordinary course of business. When the forward purchase is payable in foreign currency, the company, in general, hedges it by the forward purchase of foreign currency. The hedged exchange rate is used to value this stock.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Principal accounting policies

Foreign currencies

Transactions in foreign currencies are recorded at the hedged rate relating to purchases and sales of goods. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Defined benefit pension scheme

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on the scheme assets are included in other financial costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Profit and loss account

	Note	2008 £	2007 £
Turnover	1	88,065,060	57,960,966
Cost of sales		(68,711,952)	(44,342,248)
Gross profit		19,353,108	13,618,718
Administrative expenses		(9,348,976)	(7,554,668)
Distribution costs		(2,005,554)	(1,724,359)
Other operating income		78,972	195,501
Operating profit		8,077,550	4,535,192
Interest receivable	2	72,105	106,188
Interest payable	3	(783,872)	(497,401)
Profit on ordinary activities before taxation		7,365,783	4,143,979
Tax on profit on ordinary activities	5	(2,273,782)	(972,492)
Profit for the financial year	14	5,092,001	3,171,487

All operations are continuing.

The accompanying notes form part of these financial statements.

Statement of total recognised gains and losses

	Notes	2008 £000	2007 £000
Reported profit on ordinary activities		5,092	3,171
Actuarial return less expected return on pension assets		1,584	230
Experience losses arising on scheme liabilities		(7)	(343)
Changes in assumptions underlying the present value of the scheme liabilities		(2,397)	1,020
Actuarial gain/(loss) in pension plan	17	(820)	907
Deferred tax on defined benefit pension scheme		246	(272)
		(574)	635
Total recognised gains in the year		4,518	3,806
Total recognised gains since the last annual report		4,518	3,806

The accompanying notes form part of these financial statements.

Balance sheet

	Note	2008	2008	2007	2007
		£	£	£	£
Fixed assets					
Intangible assets	6		5,499,146		5,806,646
Tangible assets	7		6,720,317		7,241,085
Investments	8		-		-
			12,219,463		13,047,731
Current assets					
Stocks	9	25,325,115		14,167,730	
Debtors	10	14,430,725		13,766,079	
Cash at bank and in hand		1,121,391		97,115	
		40,877,231		28,030,924	
Creditors: amounts falling due within one year	11	(28,768,175)		(21,735,647)	
Net current assets			12,109,056		6,295,277
Total assets less current liabilities			24,328,519		19,343,008
Retirement benefit obligations	17		(698,000)		(215,000)
Provisions for liabilities and charges	12		(295,345)		(310,835)
			23,335,174		18,817,173
Capital and reserves					
Called up share capital	13		408		408
Share premium account	14		8,229,606		8,229,606
Capital reserve	14		219,996		219,996
Profit and loss account	14		14,885,164		10,367,163
Shareholders' funds	14		23,335,174		18,817,173

The financial statements were approved by the Board of Directors on 22 June 2009

Director

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the importing of produce for distribution to the grocery trade as follows:

	2008	2007
	£	£
United Kingdom	82,571,738	55,777,892
Overseas	5,493,322	2,183,074
	88,065,060	57,960,966

The profit on ordinary activities before taxation is stated after:

	2008	2007
	£	£
Auditors' remuneration for the audit of the company's financial statements	50,925	48,500
Fees payable to the company's auditors for other services		
-tax services	5,250	7,150
Depreciation		
- tangible fixed assets owned	714,918	859,902
Operating lease rentals:		
- plant and machinery	3,888	2,940
- land and buildings	62,540	79,592
- motor vehicles	97,462	104,424

2 Interest receivable

	2008	2007
	£	£
Interest receivable	11,918	20,845
Net finance income in respect of defined benefit pension scheme	60,000	15,000
Net exchange gains on retranslation of foreign currency balances	187	70,343
	72,105	106,188

3 Interest payable

	2008	2007
	£	£
On bank loans and overdrafts	776,741	497,401
Net exchange losses on retranslation of foreign currency balances	7,131	-
	783,872	497,401

Notes to the financial statements

4 Directors and employees

Staff costs during the year were as follows:

	2008 £	2007 £
Wages and salaries	3,418,137	3,271,071
Social security costs	389,872	360,122
Pension contributions	322,576	28,528
Other pension costs	34,789	45,993
(Gain) on curtailments within the defined benefit scheme	-	(905,000)
	4,165,374	2,800,714

The average number of employees of the company during the year was:

	2008 Number	2007 Number
Sales	15	15
Administration	29	29
Production	51	50
	95	94

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments	282,085	331,512
Pension contributions	40,587	33,949
	322,672	365,461

During the year no directors (2007: 3) participated in defined benefit pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2008 £	2007 £
Emoluments	143,296	122,202
Company contributions paid to pension schemes	20,750	16,278

The accrued pension for the highest paid director was £nil (2007: £nil).

Notes to the financial statements

5 Tax on profit on ordinary activities

Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008	2007
	£	£
Current tax:		
UK corporation tax	2,205,943	1,018,417
Adjustments in respect of previous years	44,329	-
Total current tax	2,250,272	1,018,417
Deferred tax:		
Origination and reversal of timing differences	(40,315)	(347,224)
Adjustments in respect of previous years	24,825	(23,701)
	(15,490)	(370,925)
Adjustment in respect of defined benefit scheme	39,000	325,000
Total deferred tax	23,510	(45,925)
Total tax charge for year	2,273,782	972,492

Factors affecting current tax charge

The tax assessed on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2008	2007
	£	£
Profit on ordinary activities before tax	7,365,783	4,143,979
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	2,099,047	1,243,194
Effects of:		
Expenses/(income) not deductible for tax purposes	90,227	(60,210)
Capital allowances less than/(in excess of) depreciation	28,895	(25,807)
Adjustments in respect of previous years	44,329	-
Movement in provisions	12,135	(138,760)
Group relief claimed	(24,361)	-
	2,250,272	1,018,417

Deferred taxation

The deferred tax (see note 12) included in the balance sheet is as follows:

	2008	2007
	£	£
Capital allowances in advance of depreciation	326,469	345,708
Other timing differences	(31,124)	(34,873)
	295,345	310,835

Notes to the financial statements

6 Intangible fixed assets

	Goodwill £	Trademark £	Total £
Cost			
At 1 January 2008	5,984,146	130,000	6,114,146
At 31 December 2008	5,984,146	130,000	6,114,146
Amortisation			
At 1 January 2008	307,500	-	307,500
Provided in the year	307,500	-	307,500
At 31 December 2008	615,000	-	615,000
Net book amount at 31 December 2008	5,369,146	130,000	5,499,146
Net book amount at 31 December 2007	5,676,646	130,000	5,806,646

The goodwill arose following the hive up of Vogan & Co Limited and Joseph Heap & Sons Limited. The directors consider that the goodwill has a useful economic life of 20 years and it is amortised over this period commencing 1 January 2007.

The trademark is not being amortised as, in the opinion of the directors, recent distribution gains and a consequent increase in contribution have enhanced the value of the brand.

7 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	IT & Communications £	Office Equipment £	Total £
Cost					
At 1 January 2008	4,170,981	3,400,199	899,127	229,854	8,700,161
Additions	-	172,415	17,089	5,983	195,487
Disposals	-	(11,276)	-	(2,004)	(13,280)
At 31 December 2008	4,170,981	3,561,338	916,216	233,833	8,882,368
Depreciation					
At 1 January 2008	147,773	545,730	585,289	180,284	1,459,076
Provided in the year	133,529	450,453	114,183	16,753	714,918
Disposals	-	(9,939)	-	(2,004)	(11,943)
At 31 December 2008	281,302	986,244	699,472	195,033	2,162,051
Net book amount at 31 December 2008	3,889,679	2,575,094	216,744	38,800	6,720,317
Net book amount at 31 December 2007	4,023,208	2,854,469	313,838	49,570	7,241,085

Notes to the financial statements

8 Fixed asset investments

Subsidiary undertakings	2008	2007
	£	£
Cost		
At 1 January 2008 and 31 December 2008	-	-

Subsidiary undertakings	Proportion of issued ordinary share capital	Nature of business
Joseph Heap & Sons Limited	100%	Dormant
Vogan & Company Limited	100%	Dormant
Riviana Foods Limited	100%	Dormant

None of the above companies traded in the year ended 31 December 2008.

9 Stocks

	2008	2007
	£	£
Produce imported for distribution to the UK grocery trade	25,325,115	14,167,730

10 Debtors

	2008	2007
	£	£
Trade debtors	13,830,433	13,057,876
VAT	243,031	232,207
Other debtors	21,365	193,885
Prepayments	335,896	282,111
	14,430,725	13,766,079

11 Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	7,048,139	6,566,037
Amounts owed to fellow group undertakings	17,894,511	12,821,827
Current corporation tax	1,201,228	621,174
Social security & other taxes	75,963	76,575
Accruals	2,548,334	1,650,034
	28,768,175	21,735,647

Notes to the financial statements

12 Provisions for liabilities & charges

	Deferred taxation £
At 1 January 2008	310,835
Utilised during the year	(15,490)
At 31 December 2008	295,345

13 Share capital

	2008 £	2007 £
Authorised		
Deferred shares of £1 each	219,996	219,996
Ordinary shares of £0.01 each	408	408
	220,404	220,404
Allotted, called up and fully paid		
40,808 ordinary shares of £0.01 each	408	408

14 Share premium account and reserves

	Share capital £	Share premium £	Capital reserve £	Profit and loss account £	Total £
At 1 January 2007	408	8,229,606	219,996	6,560,676	15,010,686
Profit for the financial year	-	-	-	3,171,487	3,171,487
Defined pension benefit scheme	-	-	-	635,000	635,000
At 31 December 2007	408	8,229,606	219,996	10,367,163	18,817,173
At 1 January 2008	408	8,229,606	219,996	10,367,163	18,817,173
Profit for the financial year	-	-	-	5,092,001	5,092,001
Defined pension benefit scheme	-	-	-	(574,000)	(574,000)
At 31 December 2008	408	8,229,606	219,996	14,885,164	23,335,174

The capital reserve arose from the Company's purchase of its own shares.

Notes to the financial statements

15 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	5,092,001	3,171,487
	5,092,001	3,171,487
Other recognised gains and losses	(574,000)	635,000
Shareholders' funds at 1 January 2008	18,817,173	15,010,686
Shareholders' funds at 31 December 2008	23,335,174	18,817,173

16 Letters of credit and guarantees

In the normal course of business the company issues duty deferment guarantees to HM Customs & Excise, and guarantees to indemnify ship owners for incomplete documentation. The value of the guarantees at the year end was £5,440,000 (2007: £1,340,000).

Open and undrawn letters of credit issued in the normal course of business totalled £nil (2007: £nil) at the year end.

The company has guaranteed the bank overdrafts of two related companies, Vogan and Co. Limited to the extent of £nil (2007: £nil) of which £nil was utilised at 31 December 2008 (2007: £nil) and Joseph Heap & Sons Limited to the extent of £nil (2007: £nil) of which £nil was utilised as at 31 December 2008 (2007: £nil).

17 Pensions

The company operates a funded defined benefit pension and life assurance scheme, membership of which is now closed to new members. On 27 November 2006 the rules of the scheme were changed so that any debts due under Section 75 of the Pensions Act by Vogan & Co. Limited to the trustees shall be reapportioned for the purposes of Regulation 6(2)(b) of the Occupational Pension Schemes (Employer Debt) Regulations 2005 to S & B Herba Foods Limited.

The assets of the scheme are held independently of the company by trustees. Assets accumulated to 1 October 1998 were originally invested with Eagle Star Insurance Company Limited. These assets were transferred to Threadneedle Asset Management in two tranches in June 1999 and April 2000; a final tranche was transferred to Rothschild (SJP) Pension Fund Managers in December 2000. Ongoing pension contributions have been invested with both Threadneedle Asset Management (with effect from 2 October 1998) and Rothschild (SJP) Pension Fund Managers (with effect from 22 December 2000).

With effect from 28 February 2007 all existing employees, except two, and some deferred members opted out of the defined benefit scheme and the current employees transferred to a group personal pension scheme.

Notes to the financial statements

FRS 17 disclosures

The valuation used for the FRS 17 disclosures has been based on the most recent actuarial valuation at 31 December 2008 by a qualified independent actuary. Scheme assets are stated at their market values at the respective balance sheet dates.

Main assumptions	2008 %	2007 %
Rate of salary increases	3.50	4.00
Rate of increase in pension in payment	3.00	3.50
Discount rate	6.70	5.80
Inflation assumption	3.00	3.50

The assets and liabilities of the scheme and the expected rate of return at the balance sheet date were:

	31 December 2008		**31 December 2007**		**31 December 2006**	
	Long-term rate of return expected %	**Value £000**	**Long-term rate of return expected %**	**Value £000**	**Long-term rate of return expected %**	**Value £000**
Equities	8.0	4,115	7.50	4,622	7.50	5,992
Bonds	7.2	198	5.80	1,022	5.10	615
Cash	2.0	805	5.50	725	5.00	911
Property	7.0	12	7.00	15	7.00	38
Total market of assets		5,130		6,384		7,556
Present value of scheme liabilities		(6,127)		(6,691)		(9,852)
Pension liability before deferred tax		(997)		(307)		(2,296)
Related deferred tax asset		299		92		689
Net pension liability		(698)		(215)		(1,607)

Analysis of movement in deficit during the year:

	2008 £000	2007 £000
Deficit in scheme at beginning of period	(307)	(2,296)
Current service cost	(5)	(31)
Contributions paid	75	193
Other finance charge	60	15
Actuarial gain	(820)	907
Gain on curtailments or settlements within the Scheme	-	905
Deficit in the scheme at the end of year	(997)	(307)

Notes to the financial statements

An analysis of the defined benefit cost for the year ended 31 December 2008 is as follows:

	2008 £000	2007 £000
Current service cost	(5)	(31)
Total operating charge	(5)	(31)
Expected return on pension assets	443	464
Interest on pension scheme liabilities	(383)	(449)
Total other finance charge	60	15

	2008 £000	2007 £000
Actual return less expected return on pension scheme assets	(1,584)	230
Experience losses arising on scheme liabilities	7	(343)
Gain arising from changes in assumptions underlying the present value of scheme liabilities	2,397	1,020
Actuarial gain recognised in the statement of recognised gains and losses	820	907

History of experience gains and losses:

	2008 %	2008 £000	2007 %	2007 £000
Actual return less expected return on scheme assets	(31%)	(1,584)	4%	230
Experience losses arising on scheme liabilities	0.1%	7	(5%)	(343)
Changes in assumptions underlying the present value of scheme liabilities	39%	2,397	15%	1,020
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	16%	820	14%	907

Plan assets

	2008 £000	2007 £000
Beginning balance	6,384	7,556
Expected return on scheme assets	443	465
Actuarial (losses)/gains on assets	(1,581)	364
Benefits paid	(195)	(2,210)
Employer contribution	75	193
Member contributions	4	16
Closing balance	5,130	6,384

Notes to the financial statements

Plan liabilities

	2008 £000	2007 £000
Beginning balance	6,691	9,852
Current service cost	5	34
Interest cost	383	447
Benefits paid	(195)	(2,210)
Actuarial (gains) on liabilities	(761)	(1,448)
Member contributions	4	16
Closing balance	6,127	6,691

18 Leasing commitments

Operating lease payments amounting to £163,893 (2007: £169,904) are due within one year. The leases to which these amounts relate expire as follows:

			2008			2007
	Leasehold property £	Office equipment £	Motor vehicles £	Leasehold property £	Office equipment £	Motor vehicles £
In one year or less	-	-	38,090	-	-	31,430
Between one and five years	62,540	3,888	59,375	62,540	2,940	72,994
	62,540	3,888	97,465	62,540	2,940	104,424

19 Transactions with directors and other related parties

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with related parties, 90% or more, whose voting rights are controlled within the Ebro Puleva S.A. group.

The company purchased goods from Boost Nutrition C.V., a company based in Belgium in which the company's ultimate parent company has a 49% stake. Goods supplied during the year under this arrangement amounted to £2,557,109 (2007: £1,468,915) and the balance due to the company at the financial period end was £1,246,189 (2007: £134,455).

20 Ultimate parent undertaking

The ultimate parent company and controlling party is Ebro Puleva S.A., which is incorporated in Spain.

The financial statements of Ebro Puleva S.A., which represents the largest group in which the company is consolidated, are available from Ebro Puleva S.A., Paseo de Castellana, 20, 28046 Madrid, Spain.