

Registered No. 00156737

S&B Herba Foods Limited

Report and Financial Statements

31 December 2019

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Company information

Directors

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

Secretary

P J Cattaneo

Registered Office

Central Court
1B Knoll Rise
Orpington
Kent
BR6 0JA

Bankers

Citibank, N.A.
Canada Square
London
EH14 5LB

Solicitors

Clarkson Wright & Jakes Ltd
Valiant House
12 Knoll Rise
Orpington
Kent
BR6 0PG

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Strategic report

The Directors present their strategic report for the year ended 31 December 2019.

Business review

The company is required by the Companies Act to set out in this report a fair review of the business of the company during the financial period ended 31 December 2019 and of the position of the company at that date and a description of the principal risks and uncertainties facing the company. This review is prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed, and the business review should not be relied on by any other party or for any other purpose.

The main activities of the Company are the milling of Rice, Rice Flour and Pulses, marketing and distribution of Couscous, Semolina, Tomato Paste and Dried Fruit.

Brexit has had a big impact on trade during the year with customers stock piling due to uncertainties of the impact of duties being enforced on rice. This uncertainty continued during the year with customers keeping stocks higher than normal which saw us with a stable business during the year. Currency was also impacted by Brexit with the pound volatile during the year which affected the prices of raw material coming from abroad.

The Company continues to invest in its operations at our two manufacturing sites in Cambridge and Liverpool. The Board has agreed that we will continue to invest where necessary at these locations during the coming year.

Key performance indicators

The key performance indicators used by the directors to monitor the progress of the company are set out below. All turnover arises from continuing operations.

	2019 £'000	2018 £'000
Turnover	107,416	96,404
Gross profit	21,464	19,503
Gross profit percentage	20%	20%
Operating profit	4,936	4,708
Operating profit percentage	4.6%	4.9%

Turnover for the 12 month period ended 31 December 2019 was 11.4% higher than 2018 (2018: 6.8% higher than 2017). Operating profit percentage showed a 0.3% decrease due to an increase in overheads.

There was a profit for the period after taxation amounting to £3,143k (2018: £4,045k) and the net assets of the company at 31 December 2019 were £20,643k (2018: £65,317k).

Dividends have been paid during the period £47m (2018: £Nil). There were dividends paid in March 2019 and in December 2019.

Principal risks and uncertainties

The directors have identified that a fluctuation in rice prices and the loss of key personnel are principal risks to the business. These risks are mitigated by constant review by the directors and senior management.

The directors have also considered the risks included within the Financial Risk Management section below to be principal risks of the business.

Strategic report (continued)

Financial risk management objectives and policies

The main risks arising from the company's financial instruments are currency 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.

Currency risk

The Company's trading activities include the purchase of rice on international markets which bring exposures to foreign currency fluctuations. The company has strict policies to manage these risks and these policies have not changed in the year.

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 hedge account.

About 5.6% of the company's sales are to customers in continental Europe. Sales are affected in local currencies based on sterling prices of goods. The company policy is to manage all currency exposures on any balance not expected to mature within 30 days of it arising through the use of forward currency contracts.

About 95% of the company's purchases are invoiced in Euros and US dollars. The company policy is to use forward currency contracts to minimise the risk associated with that exposure.

Credit risk

The company's principal financial assets are 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.

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 a group cash pooling system. The Citibank accounts are cleared on a daily basis, and the balance is recorded as a group debtor.

Section 172 (1) statement

This section of the strategic report describes how the directors have addressed the matters set out in section 172 (1) (a) to (f), and forms the directors' statement required under Companies Act 2006.

All directors received guidance on their statutory duties including section 172 and were briefed on the reporting requirements by the Company Secretary to ensure relevant stakeholders' interests are articulated in the board discussions and decisions.

The Board identified the key stakeholders as shareholders, employees, customers and suppliers.

Several Board members represent Ebro Group directly in the Company's Board, so communication with shareholders is undertaken as part of regular meetings of the Board. Issues covered on the Board meetings are: review and approval of the Company's short-term and long-term strategy, budget, appointment of new production manager/director, approval of investments in new technologies and equipment, address issues with the customers and suppliers.

During the year the board received updates on key customer's issues through regular reports from management and meetings with customers which provided an opportunity to get insights of the customer's issues and challenges. As a result, there were agreements reached with the customers in relation to price, volumes, period and quality of supplies beneficial for both parties.

Most of the Company's supplies are coming from Ebro Group, so the Board members can directly monitor any issues with suppliers – other companies of the Group.

Strategic report (continued)

The Board engaged with employees via visits to production sites in Cambridge and Liverpool, meetings in the office with office employees and regular conference calls on different matters. The Board regularly communicate with the Operations Team on employee matters. If employees wish to report any concerns related to wrong doing or misconduct, one of the ways to do that is via a whistleblowing procedure.

The Board also invests in employees by way of training, software and equipment updates to carry out their duties within the company.

By order of the Board



P J Cattaneo
Director
Date 29 July 2020

Directors' report

Registered No. 00156737

The directors present their report for the year ended 31 December 2019.

Directors

The directors who held office during the year were as follows:

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

Dividends

The directors agreed the payment of two dividends in 2019 totalling £47m (2018: £nil). There were dividends paid in March 2019 and in December 2019.

Future developments

The directors expect the general level of activity to be maintained for the foreseeable future.

Financial Instruments

The company has chosen in accordance with section 414C (11) of the Companies Act 2006 to set out information related to Financial Risk Management Policies in its Strategic Report.

Events since the balance sheet date

On 11th March 2020, the World Health Organisation raised the public health emergency crisis caused by the coronavirus (Covid-19) to a global pandemic. The speed at which the events unfolded in the UK and worldwide, caused an unprecedented health crisis, which may impact the macroeconomic environment and the Company's business performance.

The company continues to monitor the ongoing Covid-19 outbreak, assessing the advice given by the World Health Organisation and Public Health England to ensure the best practice precautions are being applied to our business and employees. The company's factories have continued to work at full capacity during the lockdown period and management have implemented guidelines provided by the government and Public Health England to ensure that all staff have the appropriate protection to work safely. Where possible, staff have been allowed to work from home although the company's offices remain open for staff who are unable to do so but with appropriate safeguards. Accordingly, the company's business has continued to operate without any interruption with the supply chain (for deliveries and shipments) continuing to operate with some delays.

The directors have considered the impact of the Covid-19 crisis on the company's business operations and future prospects. They believe, that based on its most recent estimates, the company will remain profitable, and the ability to continue as a going concern will not be compromised. Therefore, the company proposes not to make any adjustment to its financial statements for the year ended 31st December 2019.

Going concern

The directors carried out a review of the going concern status of the company by considering the anticipated level of future trading activity and the associated cash flow requirements. Accordingly, the directors have updated their budgets and cash flow forecast as well as completing a reverse stress test to assess the liquidity requirements of the company. The directors have a reasonable expectation that the

Directors' report (continued)

company has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors are satisfied that the financial statements should be prepared on a going concern basis.

Even with the subsequent events of the Covid-19 pandemic, the directors have taken reasonable steps to minimise any risks and do not see that this will impact the Company as a going concern.

Directors' indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 38 days (2018 – 39 days).

Disclosure of information to the auditors

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 auditors are unaware; and each director has taken steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



P J Cattaneo
Director
Date: 29 July 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable UK 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 UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' have been followed, subject to any material departures disclosed and explained in the financial statements; 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 S&B Herba Foods Limited

Opinion

We have audited the financial statements of S&B Herba Foods Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards in Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 2.3 and 25 of the financial statements, which describes the potential economic consequences the company is facing as a result of COVID-19 which is impacting supply chains and consumer demand. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Independent auditor's report

to the members of S&B Herba Foods Limited (continued)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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 the directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

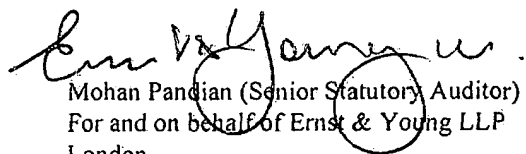
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report

to the members of S&B Herba Foods Limited (continued)

Use of our report

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



Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
London
29 July 2020

Income statement

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	3	107,416	96,404
Cost of sales		(85,952)	(76,901)
Gross Profit		21,464	19,503
Administrative expenses		(14,350)	(12,963)
Distribution costs		(2,235)	(1,913)
Other operating income		57	81
Operating profit	4	4,936	4,708
Interest receivable and similar income	7	82	474
Interest payable and similar charges	8	(1,096)	(127)
Profit on ordinary activities before taxation		3,922	5,055
Tax expense	9	(779)	(1,010)
Profit for the financial year		3,143	4,045

All activities are derived from continuing operations.

Statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Profit for the financial year		3,143	4,045
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Remeasurement (loss)/gain on defined benefit pension plans	22	(984)	382
Deferred tax on defined benefit pension plan		167	(65)
Change in rate of deferred tax on defined benefit pension plan		-	-
Other comprehensive (loss)/income for the year, net of tax		(817)	317
Total comprehensive income for the year		2,326	4,362

Balance sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Non current assets			
Intangible assets	10	5,571	5,576
Tangible assets	11	5,920	5,521
Investment property	12	127	131
Investments	13	-	-
		<u>11,618</u>	<u>11,228</u>
Current assets			
Stocks	14	26,642	28,256
Trade and other receivables	15	19,355	46,108
Financial assets	17	20	64
Deferred tax asset	9	670	569
Cash at bank and in hand		62	65
		<u>46,749</u>	<u>75,062</u>
Creditors: amounts falling due within one year			
Trade creditors	16	3,386	2,918
Amounts owed to group undertakings		23,372	8,364
Income tax payable		288	569
Other taxes and social security		72	72
Financial liabilities	17	647	1
Accruals		4,001	4,424
		<u>31,766</u>	<u>16,348</u>
Net current assets		14,983	58,714
Total assets less current liabilities		26,601	69,942
Defined benefit pension plan deficit	22	(5,408)	(4,625)
Long Term Lease	21	(550)	-
Net assets		<u>20,643</u>	<u>65,317</u>
Capital and reserves			
Called up share capital	18	1	1
Share premium account	19	8,230	8,230
Capital reserve	19	220	220
Retained earnings		12,192	56,866
Total equity		<u>20,643</u>	<u>65,317</u>

The financial statements were approved by the board of directors and authorised for issue on 29 July 2020.

P J Cattaneo

Director

Registered no: 00156737

Statement of changes in equity

at 31 December 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Capital reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 January 2018	1	8,230	220	52,504	60,955
Profit for the year	-	-	-	4,045	4,045
Other comprehensive income	-	-	-	317	317
Total comprehensive income for the year	-	-	-	4,362	4,362
At 31 December 2018	1	8,230	220	56,866	65,317
Profit for the year	-	-	-	3,143	3,143
Other comprehensive loss	-	-	-	(817)	(817)
Total comprehensive income for the year	-	-	-	2,326	2,326
Dividend payable	-	-	-	(47,000)	(47,000)
At 31 December 2019	1	8,230	220	12,192	20,643

Notes to the financial statements

at 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of S&B Herba Foods Limited for the year ended 31 December 2019 were authorised for issue by the board of directors on 29 July 2020 and the balance sheet was signed on the board's behalf by Peter Cattaneo. S&B Herba Foods Limited is a private company limited by shares and is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair override in respect of the non-amortisation of goodwill (see Note 2).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Ebro Foods S.A. Accordingly, these financial statements are individual entity financial statements.

The results of S&B Herba Foods Limited are included in the consolidated financial statements of Ebro Foods S.A. which are available from Ebro Foods S.A., Paseo de Castellana, 20, 28046 Madrid, Spain.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1.
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- (i) the requirements of paragraphs 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- (j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Going concern

The directors carried out a review of the going concern status of the company by considering the anticipated level of future trading activity and the associated cash flow requirements. Accordingly, the directors have updated their budgets and cash flow forecast as well as completing a reverse stress test to assess the liquidity requirements of the company. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors are satisfied that the financial statements should be prepared on a going concern basis.

Even with the subsequent events of the Covid-19 pandemic, the directors have taken reasonable steps to minimise any risks and do not see that this will impact the Company as a going concern.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Pension benefits

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the plan, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality rates. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 22.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

2.5 New standards, interpretations and amendments

The accounting policies adopted are consistent with those of the previous financial years except for the following amendments to FRS 101 effective as of 1 January 2019:

IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 was, as follows:

	£000
Right of use assets	<u>1,041</u>
Current and non-current lease liabilities	<u>(1,041)</u>

2.6 Significant accounting policies

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. 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 income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Intangible assets

Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chose by the directors, its useful economic life. However, under FRS 101, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £359k lower had goodwill been amortised in the year.

Trademarks

Trademarks are included at cost and are not amortised as they are deemed to have an indefinite useful economic life. Trademarks are reviewed annually for impairment and a provision booked where necessary.

Computer software

All computer software is initially recorded at cost.

Depreciation is provided in cost in equal annual instalments over the estimated useful lives of the assets. The rate of depreciation is over 3 years.

Tangible fixed assets

All fixed assets are initially recorded at cost.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	- over 25 years
Plant and machinery	- over 10-15 years
Computer equipment	- over 3-7 years
Office equipment	- over 10-15 years
Motor Vehicles	- over 5 years

Freehold land is not depreciated.

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, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less provision for depreciation and impairment.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property, is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments

Investments in subsidiary undertakings are stated at historic cost less any applicable provisions for impairment. Investments are reviewed for impairment each year if events or changes in circumstances indicate the investment value may not be recoverable.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial assets and financial liabilities

Financial Assets

Financial assets are classified in accordance with how they are measured on the basis of the corresponding business model and the characteristics of the contractual cash flows. A financial asset is only reclassified from one category to another when there is a change in the business model used to manage the financial assets.

Financial asset acquisitions and disposals are recognized at the trade date, i.e., on the date the Company undertakes to acquire or sell the asset. Upon acquisition they are classified into one of the following categories:

a) Financial assets at amortized cost.

These are non-derivative financial assets that are held in order to collect their contractual cash flows and those contractual cash flows represent solely payments of principal and interest. They are included in current assets, except for amounts maturing more than 12 months from the end of the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Interest income from these financial assets is recognized in finance income; any gain or loss arising on their derecognition and any impairment losses are recognized directly in profit and loss as they arise.

b) Financial assets at fair value through profit or loss

These are assets that are acquired for sale in the short term. Derivatives are included in this category unless they are designated as hedging instruments. These financial assets are initially recognized and subsequently measured at fair value and any changes in fair value are recognized in profit and loss as they arise.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Equity instruments classified into this category are recognized at fair value and any gain or loss arising from changes in their fair value or as a result of their sale are similarly recognized in profit and loss as they arise.

The fair values of quoted investments are based on quoted prices (fair value hierarchy level 1). The fair value of investments in unlisted entities is established using valuation techniques, which include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same and discounted cash flow analysis (levels 2 and 3). In the event that the more recent information available is insufficient to measure fair value or there is a wide range of possible fair value measurements and cost represents the best estimate within that range, such investments are recognized at cost less any impairment losses.

The fair value measurements made in the accompanying financial statements are classified using a fair value hierarchy articulated around the relevance of the inputs used to make the corresponding measurements. The hierarchy categorizes the inputs used in valuation techniques into three levels:

- Level 1 inputs: Fair value measurements based on quoted prices in active markets for identical instruments. These measurements are based on quoted prices at the reporting date.
- Level 2 inputs: Fair value measurements based on inputs that are observable for the asset or liability. The fair value of financial assets included in this category is determined by using valuation techniques. Those valuation techniques maximize the use of available observable market-based inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to measure fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs required to measure fair value are not observable market inputs, the instrument is included in Level 3.
- Level 3 inputs: Measurements based on inputs that are not based on observable market data.

Financial assets are derecognized when the contractual rights to the related cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership of the assets. If substantially all the risks and rewards have been retained, the financial asset is not derecognized; instead the Company recognizes a financial liability in the amount of any consideration received in exchange for the transfer.

Agreements for the transfer of account receivables are considered non-recourse factoring agreements if the risks and rewards of ownership of the receivables have been transferred substantially.

The financial asset impairment model is based on expected credit losses. The Company accounts for expected credit losses, and any changes therein, at every reporting date, to reflect changes in credit risk since the date of initial recognition without waiting for an impairment event to occur.

The Company applies the general expected loss approach for all its financial assets except for trade and other account receivable that do not contain a significant financing component; it applies the simplified approach for those qualifying assets.

Under the general approach, the Company recognizes the expected loss from a financial asset default on either a 12-month or lifetime basis, depending on whether there has been a significant increase in credit risk since initial recognition. Under the simplified approach, the Company recognizes a loss allowance from the outset based on lifetime expected credit losses using available information about past events (such as historical customer default rates), current conditions and forward-looking estimates (macroeconomic factors such as the outlook for GDP, unemployment, inflation, interest rates, etc.) that could affect the creditworthiness of its debtors.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Financial liabilities

a) Financial liabilities at amortized cost

Trade and other current accounts payable are financial liabilities and are initially recognized at fair value; they do not explicitly accrue interest and are recognized at their face value.

b) Financial liabilities at fair value through profit or loss

These are liabilities that are acquired for sale in the short term. Derivatives are included in this category unless they are designated as hedging instruments. These financial liabilities are initially recognized and subsequently measured at fair value and any changes in fair value are recognized in profit and loss as they arise.

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.

Trade and other receivables

Trade and other debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash comprises cash at banks and in hand and short term deposits with an original maturity of three months or less.

Revenue recognition

(a) Sale of goods

The Company considers the time of revenue recognition to be the time at which control of goods passes to the customer. In general, this is the time at which the goods are delivered. The usual payment period is 30 days from delivery.

(b) Volume discounts

The Company retrospectively grants certain customers volume discounts as soon as a level of turnover during the period exceeds a contractually agreed level. In accordance with IFRS 15, retroactive volume discounts are recognised as variable consideration. The Company recognises revenue from the sale of goods at the fair value of the consideration received less any discounts that may be applied.

Notes to the financial statements

at 31 December 2019

2 Accounting policies (continued)

(c) Significant financing arrangements

The Company's contract with customers does not contain significant financing arrangements.

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of any variable considerations, rights of return, volume discounts, VAT and other sales related taxes. Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. This is usually at the point that goods are delivered to the customer. Revenue is measured at the fair value of the consideration received, excluding any variable considerations, rights of return, discounts, rebates, VAT and other sales tax or duty.

The Company's turnover and pre-tax result were wholly attributable to the Company's principal continuing activity in the United Kingdom.

Income taxes

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences, carried forward tax credits or tax losses can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

Notes to the financial statements

at 31 December 2019

3. Turnover

The Company's turnover and results were derived wholly from the Company's principal activity which is based solely in the United Kingdom. An analysis of turnover by classification is as follows:

	2019 £000	2018 £000
Sale of goods	107,416	96,404
Turnover by geographical area:		
United Kingdom	101,394	91,152
Rest of Europe	6,022	5,252
	107,416	96,404

4. Operating profit

This is stated after charging/(crediting):

	2019 £000	2018 £000
Net foreign currency exchange differences	948	(338)
Depreciation of tangible fixed assets	520	498
Depreciation of intangible assets	7	6
Depreciation of investment property	4	5
Depreciation of leased assets	253	-
Loss on disposal of property, plant and equipment	-	3
Cost of stocks recognised as an expense (included in cost of sales)	85,616	77,284
Including:		
- Reversals of impairments in stocks	-	-

5. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2019 £000	2018 £000
Audit of the financial statements	51	50

Notes to the financial statements

at 31 December 2019

6. Staff costs and directors' remuneration

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	4,778	4,564
Social security costs	551	525
Other pension costs	501	451
	<u>5,830</u>	<u>5,540</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

The average monthly number of employees (including directors) during the year was made up as follows:

	2019 No.	2018 No.
Sales	12	12
Administration	29	30
Production	65	62
	<u>106</u>	<u>104</u>

	2019 £000	2018 £000
<i>Directors' remuneration</i>		
Emoluments	521	609
Contributions in defined contribution pension scheme	59	56
	<u>580</u>	<u>665</u>

During the year no directors (2018 – none) participated in the defined benefit pension scheme and 2 directors (2018 – 2) participated in the defined contribution scheme.

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

	2019 £000	2018 £000
Emoluments	329	308
Contributions in defined contribution pension scheme	49	46
	<u>378</u>	<u>354</u>

Notes to the financial statements

at 31 December 2019

7. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable	82	136
Net exchange profit on retranslation of foreign currency balances	-	338
	<u>82</u>	<u>474</u>

8. Interest payable and similar charges

	2019 £000	2018 £000
Bank loans and overdrafts	1	1
Interest on IFRS 16	18	-
Net exchange loss on retranslation of foreign currency balances	948	-
Net finance charge in respect of defined benefit pension scheme	129	126
	<u>1,096</u>	<u>127</u>

9. Taxation

(a) Tax charged in the income statement

	2019 £000	2018 £000
Current income tax:		
UK corporation tax	726	957
Adjustment in respect of prior years	(14)	1
Total current income tax	<u>712</u>	<u>958</u>
Deferred tax:		
Origination and reversal of temporary differences	66	52
	1	-
Adjustment in respect of prior years	-	-
Effect of change in tax rate	-	-
Adjustment in respect of defined benefit scheme	-	-
Total deferred tax	<u>67</u>	<u>52</u>
Tax expense in the income statement	<u>779</u>	<u>1,010</u>

Notes to the financial statements

at 31 December 2019

9. Taxation (continued)

(b) Tax relating to items charged or credited to other comprehensive income

	2019 £000	2018 £000
Current income tax:		
UK corporation tax	-	-
Total current income tax	-	-
Deferred tax:		
Adjustment in respect of defined benefit scheme	(167)	65
Effect of change in tax rate	-	-
Total deferred tax	(167)	65
Tax credit/(expense) in the statement of other comprehensive income	(167)	65

(c) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	3,922	5,055
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	745	961
Effects of:		
Fixed asset differences	49	50
Expenses not deductible for tax purposes	5	4
Rate change	12	(16)
Prior year adjustment	(32)	11
Total tax expense reported in the income statement	779	1,010

(d) Change in Corporation Tax rate

The standard rate of UK corporation tax for the period was 19% (2018: 19%). A reduction in the rate to 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and has been applied to the company's deferred tax balance at the balance sheet date.

Notes to the financial statements

at 31 December 2019

9. Taxation (continued)

(e) Deferred tax

The net deferred tax included in the balance sheet is as follows:

	2019	2018
	£000	£000
Deferred tax asset		
Defined benefit pension deficit	1,002	1,022
Other timing differences	-	(140)
	<u>1,002</u>	<u>882</u>
Deferred tax liability		
Accelerated capital allowances	332	313
Other timing differences	-	-
	<u>332</u>	<u>313</u>
Net deferred tax asset	<u>670</u>	<u>569</u>

The deferred tax in the income statement is as follows:

	2019	2018
	£000	£000
Deferred tax in the income statement		
Accelerated capital allowances	66	52
Adjustment in respect of prior year	1	-
Change in tax law and rates	-	-
Deferred tax expense	<u>67</u>	<u>52</u>

Notes to the financial statements

at 31 December 2019

10. Intangible assets

	<i>Computer Software</i> £000	<i>Goodwill</i> £000	<i>Trademarks</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2019	764	7,023	386	8,173
Additions	2	-	-	2
At 31 December 2019	766	7,023	386	8,175
Depreciation:				
At 1 January 2019	753	1,844	-	2,597
Charge for the year	7	-	-	7
At 31 December 2019	760	1,844	-	2,604
Net book value				
At 31 December 2019	6	5,179	386	5,571
At 1 January 2019	11	5,179	386	5,576

The goodwill arose following the hive up of Vogan & Co Limited and Joseph Heap & Sons Limited, and on the acquisition of the trade and assets of Moorhead & McGavin and relates to one cash generated unit (CGU). The recoverable amount of CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period.

Notes to the financial statements

at 31 December 2019

11. Tangible assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Motor Vehicles</i>	<i>Computer Equipment</i>	<i>Office Equipment</i>	<i>IFRS 16 Leases</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2019	4,634	6,574	57	352	306	-	11,923
Adoption of IFRS 16	-	-	-	-	-	1,041	1,041
Additions	-	108	-	20	5	-	133
Disposals	-	-	(10)	-	(1)	-	(11)
At 31 December 2019	4,634	6,682	47	372	310	1,041	13,086
Accumulated depreciation							
At 1 January 2019	1,738	4,069	34	321	240	-	6,402
Charged in the year	136	345	10	15	12	253	771
Disposals	-	-	(6)	-	(1)	-	(7)
At 31 December 2019	1,874	4,414	38	336	251	253	7,166
Net book value							
At 31 December 2019	2,760	2,268	9	36	59	788	5,920
At 31 December 2018	2,896	2,505	23	31	66	-	5,521

12. Investment Property

	<i>Freehold buildings</i>
	£'000
Cost	
At 1 January 2019	185
Additions	-
Disposals	-
At 31 December 2019	185
Accumulated depreciation	
At 1 January 2019	54
Charged in the year	4
Disposals	-
At 31 December 2019	58
Net book value	
At 31 December 2019	127

Notes to the financial statements

at 31 December 2019

13. Investments

	<i>Subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:			
At 1 January 2019	-	500	-
Impairment:			
At 31 December 2019	-	(500)	-
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2018 or 31 December 2019, are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Nature of business</i>
Joseph Heap & Sons Limited	England	100%	dormant
Vogan & Company Limited	England	100%	dormant
Riviana Foods Limited	England	99.9%	dormant

None of these companies traded in the year ended 31 December 2019.

Other investments other than loans

The investment represents a £nil call option on a prospective investment. In the opinion of the directors, disclosure of the details of the investment would be seriously prejudicial to the interests of the company.

14. Stocks

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Raw materials	15,887	20,106
Work in progress	936	622
Finished goods	9,819	7,528
	<u>26,642</u>	<u>28,256</u>

Notes to the financial statements

at 31 December 2019

15. Trade and other receivables

	2019 £000	2018 £000
Trade debtors	18,294	18,933
Amounts due from group undertakings	-	26,138
VAT	334	339
Other debtors	502	489
Prepayments	225	209
	<u>19,355</u>	<u>46,108</u>

An impairment analysis for trade and other receivables was performed at the reporting date in accordance with the simplified approach set out in accounting policy (Note 2.6) based on lifetime expected credit losses. As a result of calculations, loss allowance as at 31 December 2019 was £1,025k.

16. Trade and other creditors

Trade creditors are non-interest bearing and are normally settled on 38 day terms.

Other creditors are non-interest bearing and have an average term of 1 month.

17. Financial assets and liabilities

Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts. The fair values of these derivatives held at the balance sheet date are as follows:

	2019 £000	2018 £000
Forward foreign currency contracts – financial asset	20	64
Forward foreign currency contracts – financial liability	<u>647</u>	<u>1</u>

18. Authorised and issued share capital

	2019 £	2018 £
Allotted, called up and fully paid 40,808 Ordinary shares of £0.01 each	<u>408</u>	<u>408</u>

Notes to the financial statements

at 31 December 2019

19. Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital reserve

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

20. Letters of credit and guarantees

In the normal course of business the company issues duty deferment guarantees to HM Revenue & Customs, and guarantees to indemnify ship owners for incomplete documentation. The value of the guarantees at the year end was £6,518,750 (2018: £1,218,750).

21. Financial commitments

The Company has lease contracts for office rent, warehouse rent, forklift trucks and cars. The lease terms vary between 4 and 10 years. Those assets were recorded as right of use assets.

The Company also has certain leases of office equipment with low value. The Company applies the "short term lease" and "lease of low value" recognition exemptions for these leases.

The carrying amounts of right of use assets recognised and movements during the year are set out below:

	2019 £000
1 January 2019	1,041
Depreciation	(253)
31 December 2019	788

The carrying amount of lease liabilities and movements during the year are set out below:

	2019 £000
1 January 2019	1,041
Interest expense	18
Payments	(267)
31 December 2019	792

Notes to the financial statements

at 31 December 2019

21. Financial commitments (continued)

	2019 £000
Current lease liability	242
Non-current lease liability	550
Total	792

The following amounts are those recognised in profit or loss:

	2019 £000
Depreciation	253
Interest expense	18
Total	271

22. Pensions

Defined benefit pension scheme

The valuation used for the FRS 101 disclosures has been based on the most recent actuarial valuation at 31 December 2019 by a qualified independent actuary. Scheme assets are stated at their market values at the respective balance sheet dates. There were no outstanding contributions at either year end.

Main assumptions	2019 %	2018 %
Rate of salary increases	2.1	2.3
Rate of increase in pension in payment	2.9	3.0
Discount rate	2.1	2.9
Inflation assumption	2.9	3.1

	SINXA using CMI 2010 with a long-term rate of improvement of 1.25% per annum	SINXA using CMI 2010 with a long- term rate of improvement of 1.25% per annum
Mortality assumption		

Notes to the financial statements

at 31 December 2019

22. Pensions (continued)

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

	31 December 2019	31 December 2018
	Value	Value
	£000	£000
Equities	7,057	6,482
Gilts	1,435	1,379
Bonds	1,405	1,380
Cash	53	116
	<hr/>	<hr/>
Total market value of assets	9,950	9,357
Present value of scheme liabilities	(15,358)	(13,982)
	<hr/>	<hr/>
Defined benefit pension plan deficit	(5,408)	(4,625)
	<hr/>	<hr/>

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2019	2018
	£000	£000
<i>Recognised in the Income Statement</i>		
Current service cost	-	2
Recognised in arriving at operating profit	<hr/> -	<hr/> 2
Expected return on pension assets	(246)	(246)
Interest on pension scheme liabilities	375	372
Total other finance expense	<hr/> 129	<hr/> 126
<i>Recognised in the Statement of Comprehensive Income</i>		
Actual return less expected return on pension scheme assets	1,291	(757)
(Loss)/gain arising from changes in assumptions underlying the present value of scheme liabilities	(2,275)	1,156
Experience gain on defined benefit obligation	-	-
Gains from changes to demographic assumptions	-	89
Past service cost	-	(106)
Total	<hr/> (984)	<hr/> 382

Notes to the financial statements

at 31 December 2019

22. Pensions (continued)

Changes in the present value of the defined benefit pension obligation are analysed as follows:

	2019 £000	2018 £000
Defined benefit obligation at 1 January	13,982	15,021
Current service cost	-	2
Past Service Cost	-	106
Interest cost	375	372
Benefits paid	(1,274)	(275)
Experience gain on defined benefit obligations	-	-
Changes to demographic assumptions	-	(89)
Actuarial loss/(gain) on liabilities	2,275	(1,156)
Member contributions	-	1
Defined benefit obligation at 31 December	<u>15,358</u>	<u>13,982</u>

Changes in the fair value of plan assets are analysed as follows:

	2019 £000	2018 £000
Fair value of plan assets at 1 January	9,357	9,811
Expected gain on scheme assets	246	246
Actuarial (loss)/gain on assets	1,291	(757)
Benefits paid	(1,274)	(275)
Employer contribution	330	331
Member contributions	-	1
Fair value of plan assets at 31 December	<u>9,950</u>	<u>9,357</u>

Analysis of movement in the scheme deficit during the year:

	2019 £000	2018 £000
Scheme deficit at 1 January	(4,625)	(5,210)
Current service cost	-	(2)
Past service cost	-	(106)
Actuarial gain/(loss)	(984)	488
Contributions paid	330	331
Other finance charge	(129)	(126)
Scheme deficit at 31 December	<u>(5,408)</u>	<u>(4,625)</u>

Defined contribution scheme

Pension contributions in respect of the defined contribution scheme to which S&B Herba Foods Limited is the principal employer totalled £519,566 (2018: £445,713).

Notes to the financial statements

at 31 December 2019

23. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

The company purchased and sold goods with 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 £668,678 (2018: £693,454) and the balance due to the company at the financial period end was £10,760 (2018: £nil). Goods sold during the year under this arrangement amounted to £116,830 (2018: £390,586) and the balance due from the company at the financial period end was £335 (2017: £nil).

24. Ultimate parent undertaking and controlling party

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

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

25. Events since the balance sheet date

On 11th March 2020, the World Health Organisation raised the public health emergency crisis caused by the coronavirus (Covid-19) to a global pandemic. The speed at which the events unfolded in the UK and worldwide, caused an unprecedented health crisis, which may impact the macroeconomic environment and the Company's business performance.

The company continues to monitor the ongoing Covid-19 outbreak, assessing the advice given by the World Health Organisation and Public Health England to ensure the best practice precautions are being applied to our business and employees. The company's factories have continued to work at full capacity during the lockdown period and management have implemented guidelines provided by the government and Public Health England to ensure that all staff have the appropriate protection to work safely. Where possible, staff have been allowed to work from home although the company's offices remain open for staff who are unable to do so but with appropriate safeguards. Accordingly, the company's business has continued to operate without any interruption with the supply chain (for deliveries and shipments) continuing to operate with some delays.

The directors have considered the impact of the Covid-19 crisis on the company's business operations and future prospects. They believe, that based on its most recent estimates, the company will remain profitable, and the ability to continue as a going concern will not be compromised. Therefore, the company proposes not to make any adjustment to its financial statements for the year ended 31st December 2019.