Registered No. 00156737

S&B Herba Foods Limited

Report and Financial Statements

31 December 2017

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 2017.

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 2017 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.

Raw material throughout the year continues to increase in price and coupled with the fall in value of the pound against other currencies has caused prices of Finished Products to increase significantly across our range.

It continues to be the policy of S&B Herba Foods Limited to develop the business by internal growth and acquisitions.

The Company continues to invest in its Plant and Machinery in our two manufacturing sites in Cambridge and Liverpool. Capital Investment has been approved by the Board for more upgrades 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.

	2017	**2016**
	£'000	**£'000**
Turnover	90,293	86,716
Gross profit	18,903	18,826
Gross profit percentage	21%	22%
Operating profit	4,761	5,528
Operating profit percentage	5.3%	6.4%

Turnover for the 12 month period ended 31 December 2017 was 4% higher than 2016 (2016: 6.4% higher than 2015). Operating profit percentage showed a 1.1% decrease due to an increase in overheads.

There was a profit for the period after taxation amounting to £3,169k (2016: £4,708k) and the net assets of the company at 31 December 2017 were £60,955k (2016: £57,028k).

No dividends have been paid during the period (2016: £Nil).

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 4.8% of the company's sales are to customers in continental Europe. Sales are effected 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.

By order of the Board

P J Cattaneo
Director
Date 17 July 2018

Directors' report

Registered No. 00156737

The directors present their report for the year ended 31 December 2017.

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 do not recommend the payment of a dividend (2016: £nil).

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

No post balance sheet events have been noted.

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. 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.

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 44 days (2016 – 48 days).

Directors' report (continued)

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: 17 July 2018

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 2017 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 24, 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 2017 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.

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.

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 6, 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.

Ernst & Young LLP

Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
London
Date: 18 July 2018

Income statement

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	3	90,293	86,716
Cost of sales		(71,390)	(67,890)
Gross Profit		18,903	18,826
Administrative expenses		(12,460)	(11,514)
Distribution costs		(1,783)	(1,846)
Other operating income		101	62
Operating profit	4	4,761	5,528
Interest receivable and similar income	7	133	585
Interest payable and similar charges	8	(856)	(137)
Profit on ordinary activities before taxation		4,038	5,976
Tax expense	9	(869)	(1,268)
Profit for the financial year		3,169	4,708

All activities are derived from continuing operations.

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Profit for the financial year		3,169	4,708
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Remeasurement gain/(losses) on defined benefit pension plans	22	913	(2,546)
Deferred tax on defined benefit pension plan		(155)	433
Change in rate of deferred tax on defined benefit pension plan		-	(104)
Other comprehensive income/(loss) for the year, net of tax		758	(2,217)
Total comprehensive income for the year		3,927	2,491

Balance sheet

at 31 December 2017

	Notes	2017 £000	2016 £000
Non current assets			
Intangible assets	10	5,581	5,588
Tangible assets	11	5,480	5,663
Investment property	12	136	140
Investments	13	-	250
		11,197	11,641
Current assets			
Stocks	14	34,093	21,256
Trade and other receivables	15	33,656	42,891
Financial assets	17	1	164
Deferred tax asset	9	684	837
Cash at bank and in hand		73	183
		68,507	65,331
Creditors: amounts falling due within one year			
Trade creditors	16	2,627	2,157
Amounts owed to group undertakings		7,176	7,176
Income tax payable		400	706
Other taxes and social security		65	61
Financial liabilities	17	163	59
Accruals		3,108	3,720
		13,539	13,879
Net current assets		54,968	51,452
Total assets less current liabilities		66,165	63,093
Defined benefit pension plan deficit	22	(5,210)	(6,065)
Net assets		60,955	57,028
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		52,504	48,577
Total equity		60,955	57,028

The financial statements were approved by the board of directors and authorised for issue on 17 July 2018.

P J Cattaneo
Director

R L Holben
Director

Registered no: 00156737

Statement of changes in equity

at 31 December 2017

	Share capital	*Share premium*	*Capital reserve*	*Retained earnings*	*Total equity*
	£000	*£000*	*£000*	*£000*	*£000*
As at 1 January 2016	1	8,230	220	46,086	54,537
Profit for the year	-	-	-	4,708	4,708
Other comprehensive loss	-	-	-	(2,217)	(2,217)
Total comprehensive income for the year	-	-	-	2,491	2,491
At 31 December 2016	1	8,230	220	48,577	57,028
Profit for the year	-	-	-	3,169	3,169
Other comprehensive income	-	-	-	758	758
Total comprehensive income for the year	-	-	-	3,927	3,927
At 31 December 2017	1	8,230	220	52,504	60,955

Notes to the financial statements

at 31 December 2017

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 2017 were authorised for issue by the board of directors on 17 July 2018 and the balance sheet was signed on the board's behalf by Peter Cattaneo and Robert Holben. 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 2017.

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.

Notes to the financial statements

at 31 December 2017

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. 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.

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 2017

2. Accounting policies (continued)

2.5 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.

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.

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 2017

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

Initial Recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss or loans and receivables as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the profit and loss account.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the profit or loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

De-recognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Revenue is normally recognised upon delivery of goods to the customer.

Leases

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

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.

Notes to the financial statements

at 31 December 2017

2 Accounting policies (continued)

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.

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:

	2017	*2016*
	£000	*£000*
Sale of goods	90,293	86,716
Turnover by geographical area:		
United Kingdom	85,932	82,810
Rest of Europe	4,361	3,906
	90,293	86,716

Notes to the financial statements

at 31 December 2017

4. Operating profit

This is stated after (charging)/crediting:

	2017	*2016*
	£000	*£000*
Net foreign currency exchange differences	691	(570)
Depreciation of tangible fixed assets	493	449
Depreciation of intangible assets	7	5
Depreciation of investment property	4	5
Impairment of intangible fixed asset investment	250	250
Profit on disposal of property, plant and equipment	-	1
Including:		
- Reversals of impairments in stocks	-	-
Operating lease rentals:		
- minimum lease payments	126	151

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.

	2017	*2016*
	£000	*£000*
Audit of the financial statements	55	31

6. Staff costs and directors' remuneration

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

	2017	*2016*
	£000	*£000*
Wages and salaries	4,515	4,222
Social security costs	509	474
Other pension costs	423	402
	5,447	5,098

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

Notes to the financial statements

at 31 December 2017

6. Staff costs and directors' remuneration (continued)

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

	2017 No.	2016 No.
Sales	11	10
Administration	30	30
Production	60	55
	101	95

Directors' remuneration	2017 £000	2016 £000
Emoluments	576	514
Contributions in defined contribution pension scheme	54	78
	630	592

During the year no directors (2016 – none) participated in the defined benefit pension scheme and 2 directors (2016 – 2) participated in the defined contribution scheme.

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

	2017 £000	2016 £000
Emoluments	290	268
Contributions in defined contribution pension scheme	44	41
	334	309

7. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable	133	138
Net exchange profit on retranslation of foreign currency balances	-	447
	133	585

Notes to the financial statements

at 31 December 2017

8. Interest payable and similar charges

	2017	*2016*
	£000	*£000*
Bank loans and overdrafts	2	-
Net exchange loss on retranslation of foreign currency balances	691	-
Net finance charge in respect of defined benefit pension scheme	163	137
	856	137

Notes to the financial statements

at 31 December 2017

9. Taxation

(a) Tax charged in the income statement

	2017	*2016*
	£000	*£000*
Current income tax:		
UK corporation tax	867	1,245
Adjustment in respect of prior years	4	-
Total current income tax	871	1,245
Deferred tax:		
Origination and reversal of temporary differences	3	33
Adjustment in respect of prior years	(5)	18
Effect of change in tax rate	-	(28)
Adjustment in respect of defined benefit scheme	-	-
Total deferred tax	(2)	23
Tax expense in the income statement	869	1,268

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

	2017	*2016*
Current income tax:	*£000*	*£000*
UK corporation tax	-	-
Total current income tax	-	-
Deferred tax:		
Adjustment in respect of defined benefit scheme	155	(433)
Effect of change in tax rate	-	104
Total deferred tax	155	(329)
Tax credit/(expense) in the statement of other comprehensive income	155	(329)

(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 19.25% (2016: 20%). The differences are explained below:

	2017	*2016*
	£000	*£000*
Profit on ordinary activities before tax	4,038	5,976
Tax calculated at UK standard rate of corporation tax of 19.25% (2016: 20%)	777	1,195
Effects of:		
Expenses not deductible for tax purposes	93	88
Rate change	-	(33)
Prior year adjustment	(1)	18
Total tax expense reported in the income statement	869	1,268

Notes to the financial statements

at 31 December 2017

9. Taxation (continued)

(d) Change in Corporation Tax rate

The standard rate of UK corporation tax for the period was 19.25% (2016: 20%). 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.

(e) Deferred tax

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

	2017	*2016*
	£000	*£000*
Deferred tax asset		
Defined benefit pension deficit	886	1,031
Other timing differences	70	58
	956	1,089
Deferred tax liability		
Accelerated capital allowances	272	252
Other timing differences	-	-
	272	252
Net deferred tax asset	**684**	**837**

The deferred tax in the income statement is as follows:

	2017	*2016*
	£000	*£000*
Deferred tax in the income statement		
Accelerated capital allowances	3	32
Other timing differences	-	5
Defined benefit pension plan	-	(5)
Adjustment in respect of prior year	(5)	18
Change in tax law and rates	-	(27)
Deferred tax expense	(2)	23

Notes to the financial statements

at 31 December 2017

10. Intangible assets

	Computer Software *£000*	*Goodwill* *£000*	*Trademarks* *£000*	*Total* *£000*
Cost:				
At 1 January 2017	762	7,023	386	8,171
Additions	-	-	-	-
At 31 December 2017	762	7,023	386	8,171
Depreciation:				
At 1 January 2017	739	1,844	-	2,583
Charge for the year	7	-	-	7
At 31 December 2017	746	1,844	-	2,590
Net book value				
At 31 December 2017	16	5,179	386	5,581
At 1 January 2017	23	5,179	386	5,588

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 2017

11. Tangible assets

	Freehold land and buildings	Plant and machinery	Motor Vehicles	Computer Equipment	Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2017	4,614	5,783	57	346	296	11,096
Additions	20	282	-	2	7	311
Disposals	-	-	-	-	-	-
At 31 December 2017	4,634	6,065	57	348	303	11,407
Accumulated depreciation						
At 1 January 2017	1,453	3,437	12	312	219	5,433
Charged in the year	149	310	11	11	12	493
Disposals	-	-	-	-	-	-
At 31 December 2017	1,602	3,747	23	323	231	5,926
Net book value						
At 31 December 2017	3,032	2,318	34	25	72	5,481
At 31 December 2016	3,161	2,346	45	34	77	5,663

12. Investment Property

	Freehold buildings
	£'000
Cost	
At 1 January 2017	185
Additions	-
Disposals	-
At 31 December 2017	185
Accumulated depreciation	
At 1 January 2017	45
Charged in the year	4
Disposals	-
At 31 December 2017	49
Net book value	
At 31 December 2017	136
At 31 December 2016	140

Notes to the financial statements

at 31 December 2017

13. Investments

	Subsidiary undertakings	*Other investments*	*Total*
	£000	*£000*	*£000*
Cost or valuation:			
At 1 January 2017	-	250	250
Impairment:			
Charge for the year	-	250	250
Net book value			
At 31 December 2017	-	-	-

Subsidiary undertakings

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 2016 or 31 December 2017, are as follows:

Name	***Country of incorporation***	***Holding***	***Nature of business***
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 2017.

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.

Notes to the financial statements

at 31 December 2017

14. Stocks

	2017	2016
	£000	£000
Raw materials	25,849	15,214
Work in progress	744	653
Finished goods	7,500	5,389
	34,093	21,256

15. Trade and other receivables

	2017	2016
	£000	£000
Trade debtors	16,983	16,457
Amounts due from group undertakings	15,669	25,417
VAT	277	313
Other debtors	537	530
Prepayments	190	174
	33,656	42,891

16. Trade and other creditors

Trade creditors are non-interest bearing and are normally settled on 44 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:

	2017	2016
	£000	£000
Forward foreign currency contracts – financial asset	1	164
Forward foreign currency contracts – financial liability	163	59

Notes to the financial statements

at 31 December 2017

18. Authorised and issued share capital

	2017	*2016*
	£	*£*
Allotted, called up and fully paid		
40,808 Ordinary shares of £0.01 each	408	408

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 £1,218,750 (2016: £1,235,000).

21. Financial commitments

Future minimum rentals payable under non-cancellable operating leases as follows:

	2017	*2016*
	£000	*£000*
Not later than one year	147	118
After one year but not more than five years	390	408
After five years	229	326

Notes to the financial statements

at 31 December 2017

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 2017 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	**2017**	**2016**
	%	%
Rate of salary increases	2.3	2.5
Rate of increase in pension in payment	3.0	3.2
Discount rate	2.5	2.7
Inflation assumption	3.1	3.3
Mortality assumption	S1NXA using CMI 2010 with a long-term rate of improvement of 1.25% per annum	S1NXA using CMI 2010 with a long-term rate of improvement of 1.25% per annum

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

	31 December 2017	**31 December 2016**
	Value	**Value**
	£000	**£000**
Equities	6,963	6,263
Gilts	1,398	1,362
Bonds	1,414	1,362
Cash	36	90
Total market value of assets	9,811	9,077
Present value of scheme liabilities	(15,021)	(15,142)
Defined benefit pension plan deficit	(5,210)	(6,065)

Notes to the financial statements

at 31 December 2017

22. Pensions (continued)

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

Recognised in the Income Statement	*2017* *£000*	*2016* *£000*
Current service cost	4	7
Recognised in arriving at operating profit	4	7
Expected return on pension assets	(240)	(313)
Interest on pension scheme liabilities	403	450
Total other finance expense	163	137

Recognised in the Statement of Comprehensive Income	*2017* *£000*	*2016* *£000*
Actual return less expected return on pension scheme assets	852	1,010
(Loss) arising from changes in assumptions underlying the present value of scheme liabilities	(560)	(3,556)
Experience gain on defined benefit obligation	148	-
Gains from changes to demographic assumptions	473	-
Total	913	(2,546)

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

	2017 *£000*	*2016* *£000*
Defined benefit obligation at 1 January	15,142	11,362
Current service cost	4	7
Interest cost	403	450
Benefits paid	(468)	(235)
Experience gain on defined benefit obligations	(148)	-
Changes to demographic assumptions	(473)	
Actuarial gain on liabilities	560	3,556
Member contributions	1	2
Defined benefit obligation at 31 December	15,021	15,142

Notes to the financial statements

at 31 December 2017

22. Pensions (continued)

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

	2017 £000	2016 £000
Fair value of plan assets at 1 January	9,077	7,875
Expected gain on scheme assets	240	313
Actuarial (loss)/gain on assets	852	1,010
Benefits paid	(468)	(235)
Employer contribution	109	112
Member contributions	1	2
Fair value of plan assets at 31 December	9,811	9,077

Analysis of movement in the scheme deficit during the year:

	2017 £000	2016 £000
Scheme deficit at 1 January	(6,065)	(3,487)
Current service cost	(4)	(7)
Actuarial gain/(loss)	913	(2,546)
Contributions paid	109	112
Other finance charge	(163)	(137)
Scheme deficit at 31 December	(5,210)	(6,065)

Defined contribution scheme

Pension contributions in respect of the defined contribution scheme to which S&B Herba Foods Limited is the principal employer totalled £354,493 (2016: £375,627).

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 £577,620 (2016: £532,697) and the balance due to the company at the financial period end was £51,170 (2016: £68,897). Goods sold during the year under this arrangement amounted to £368,788 (2016: £108,412) and the balance due from the company at the financial period end was £43,734 (2016: £60,312).

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.