

Castle MacLellan Foods Limited
Annual report
for the year ended 31 December 2000

Registered Number 77607 (Scotland)



Castle MacLellan Foods Limited

Annual report for the year ended 31 December 2000

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Castle MacLellan Foods Limited

Directors and Advisors for the year ended 31 December 2000

Directors

L Stråtveit (Chairman)

AR Cunningham

RH Dickinson

HW Roberts

Secretary and registered office

L Hayes

Riverside

Dee Walk

Kirkcudbright

DG6 4DR

Auditors

PricewaterhouseCoopers

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

Solicitors

Dickinson Dees

St Ann's Wharf

112 Quayside

Newcastle upon Tyne

NE99 1SB

Bankers

Bank of Scotland

15 St Mary Street

Kirkcudbright

DG6 4AD

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities and business review

The principal activity of the company remains the manufacturing and sale of pâté.

The capital investment of recent years enabled significant growth to be achieved during the year. Major new product development opportunities will continue to be pursued in 2001.

Dividends

The directors do not recommend a dividend for the year (1999: £Nil).

Research and development

The company is committed to development activities to secure its position in the market in which it operates.

Directors and their interests

The directors who held office during the year are given below:

PJ Bone (resigned 3 May 2000)

AR Cunningham

RH Dickinson (appointed 3 May 2000)

B Jansson (resigned 4 August 2000)

HW Roberts (appointed 3 May 2000)

L Stråtveit (Chairman)

None of the directors had any interest in the shares of the company or in the share capital of Kavli Holding A/S, the ultimate parent company and its subsidiaries at 31 December 2000.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

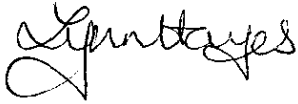
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Castle MacLellan Foods Limited

Auditors

A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board



L Hayes
Secretary
25 May 2001

Castle MacLellan Foods Limited

Auditors' report to the members of Castle MacLellan Foods Limited

We have audited the financial statements on pages 5 to 17, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
25 May 2001

Castle MacLellan Foods Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover		3,593,445	3,264,000
Net operating expenses	1	(3,401,221)	(2,899,253)
Operating profit		192,224	364,747
Interest receivable		1,814	249
Interest payable	4	(50,665)	(56,297)
Profit on ordinary activities before taxation		143,373	308,699
Taxation	5	(42,397)	(91,634)
Retained profit for the year	15	100,976	217,065

All of the operations of the company are continuing.

There are no recognised gains or losses in the year other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

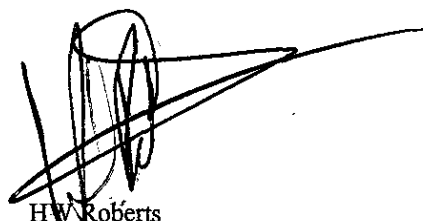
Castle MacLellan Foods Limited

Balance sheet as at 31 December 2000

	Note	2000 £	1999 £
Fixed Assets			
Tangible assets	6	1,440,510	1,397,798
Current assets			
Stocks	7	286,585	262,551
Debtors	8	836,470	965,564
Cash at bank and in hand		1,243	21,135
		1,124,298	1,249,250
Creditors: amounts falling due within one year	9	(827,129)	(928,854)
Net current assets		297,169	320,396
Total assets less current liabilities		1,737,679	1,718,194
Creditors: amounts falling due after more than one year	10	(717,317)	(792,442)
Provisions for liabilities and charges	11	(132,189)	(130,997)
Accruals and deferred income	12	(95,360)	(102,918)
Net assets		792,813	691,837
Capital and reserves			
Called up share capital	14	145,000	145,000
Capital redemption reserve	15	120,000	120,000
Profit and loss account	15	527,813	426,837
Equity shareholders' funds	16	792,813	691,837

The financial statements on pages 5 to 17 were approved by the board of directors on 25 May 2001 and signed on its behalf by


L. Strätveit
Chairman


H.W. Roberts
Director

Castle MacLellan Foods Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The company prepares its annual financial statements in accordance with the historical cost convention.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) from the requirement to produce a cash flow statement as it is a wholly owned subsidiary of Kavli Limited.

Turnover

Turnover, which excludes VAT, represents the value of goods invoiced to customers during the period, less returns.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2.5
Plant and machinery	10
Office equipment and computers	33.33
Motor vehicles	20
Fixture and fittings	20
Equipment under finance leases	over the shorter of the primary lease term or expected useful life

Freehold land is not depreciated.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises the invoiced value of goods purchased plus direct labour and attributable overheads, where applicable.

Foreign currencies

Liabilities arising in overseas currencies are converted into sterling at the exchange rate ruling on the date the goods entered the United Kingdom. Payments are converted at the actual rates incurred. The resulting exchange differences are charged or credited to the profit and loss account in the period in which they arise. At the end of the financial year foreign currency balances are translated into sterling at the rate of exchange ruling at that date.

Castle MacLellan Foods Limited

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates one defined contribution pension scheme and one defined benefit pension scheme for certain of its employees. The funds of the schemes are administered by Trustees and are separate from the company.

Pension costs in respect of the defined contribution scheme are charged to the profit and loss account in the year in which they are incurred.

Pension costs in respect of the defined benefit scheme are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. The defined benefit scheme is immaterial to the company.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the useful life of the related asset. Grants received in respect of specific projects are treated as deferred income and credited to the profit and loss account over the duration of the project. Other grants are credited to the profit and loss account when received.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2000

1. Net operating expenses

	2000 £	1999 £
Changes in stocks of work in progress and finished goods	(1,464)	(10,774)
Raw materials	1,816,972	1,540,703
Staff costs (Note 2)	580,181	518,661
Amortisation of government grants	(7,558)	(79,102)
Depreciation charge for the year:		
Tangible owned fixed assets	107,109	92,766
Tangible leased assets	11,021	11,868
Other operating charges	854,777	801,878
Development expenditure	18,309	6,048
Hire of plant and machinery – operating leases	12,618	7,394
Auditors' remuneration:		
Audit	5,800	5,000
Other services	3,360	750
Loss on sale of tangible fixed assets	96	4,061
	3,401,221	2,899,253

Castle MacLellan Foods Limited

2. Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2000 Number	1999 Number
Production	30	29
Sales	2	2
Administration	8	11
Total	40	42

Staff costs for the above are as follows:

	2000 £	1999 £
Wages and salaries	526,596	479,682
Social security costs	45,370	35,867
Other pension costs (see Note 13)	8,215	3,112
	580,181	518,661

3. Directors' emoluments

	2000 £	1999 £
Aggregate emoluments (including benefits in kind)	2,167	6,500

Castle MacLellan Foods Limited

4. Interest payable

	2000 £	1999 £
Interest payable on overdrafts	1,207	4,629
Interest payable on bank loans	-	4,830
Interest payable on group loans	45,568	42,172
Hire purchase interest and finance leasing charges	3,890	4,666
	50,665	56,297

5. Taxation

	2000 £	1999 £
United Kingdom corporation tax at 30% (1999: 30.25%):		
Deferred	2,757	37,973
Over provision in respect of prior years:		
Current	-	(3,897)
Deferred	(1,565)	-
Amount payable to parent company in 2001 (1999: 2000) in respect of tax saved by group relief	41,205	57,558
	42,397	91,634

Castle MacLellan Foods Limited

6. Tangible assets

	Freehold land and buildings	Plant and Machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2000	791,875	982,250	9,579	1,783,704
Additions	85,000	75,938	-	160,938
Disposals	-	(11,436)	-	(11,436)
At 31 December 2000	876,875	1,046,752	9,579	1,933,206
Depreciation				
At 1 January 2000	47,084	332,436	6,386	385,906
Charge for the year	19,528	95,409	3,193	118,130
Eliminated in respect of disposals	-	(11,340)	-	(11,340)
At 31 December 2000	66,612	416,505	9,579	492,696
Net book amount				
At 31 December 2000	810,263	630,247	-	1,440,510
At 31 December 1999	744,791	649,814	3,193	1,397,798

Included in the total net book value above was, £63,879 (1999: £90,321) in respect of assets held under finance leases or hire purchase contracts.

In the opinion of the directors the book value of the land and buildings above is not significantly different to the market value.

7. Stocks

	2000	1999
	£	£
Raw materials and consumables	230,714	208,144
Work in progress	4,819	2,815
Finished goods and goods for resale	51,052	51,592
	286,585	262,551

Castle MacLellan Foods Limited

8. Debtors

	2000 £	1999 £
Trade debtors	714,412	825,678
Amounts owed by group undertakings	1,230	880
Other debtors	28,019	48,211
Prepayments	92,809	90,795
	836,470	965,564

9. Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	563,237	655,036
Obligations under finance leases and hire purchase contracts	21,331	23,166
Amounts owed to group undertakings	152,427	167,297
Corporation tax	350	-
Other taxes and social security	22,628	21,861
Accruals	67,156	61,494
	827,129	928,854

Castle MacLellan Foods Limited

10. Creditors: amounts falling due after more than one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	1,776	23,126
Amounts owed to group undertakings	715,541	769,316
	717,317	792,442

	Obligations under finance leases and hire purchase contracts	
	2000 £	1999 £
Repayable as follows:		
In one year or less	21,331	23,166
Between one and two years	1,776	21,312
Between two and five years	-	1,814
	23,107	46,292

Castle MacLellan Foods Limited

11. Provisions for liabilities and charges

	£
Deferred taxation	
At 1 January 2000	130,997
Profit and loss account charge for the year	1,192
At 31 December 2000	132,189

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	2000	1999	2000	1999
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	137,682	130,997	-	-
Short term timing differences	(5,493)	-	-	-
	132,189	130,997	-	-

12. Accruals and deferred income

	£
Government grants	
At 1 January 2000	102,918
Amortisation in year	(7,558)
At 31 December 2000	95,360

13. Pension and similar obligations

The company operates two contributory pension schemes, a funded defined contribution scheme and a funded defined benefit scheme. Contributions charged in the profit and loss account in the year were £8,215 (1999: £3,112).

At 31 December 2000 an accrual for £780 (1999: £312) was included in the balance sheet in respect of pension payments.

Castle MacLellan Foods Limited

14. Called up share capital

	2000 £	1999 £
Authorised		
370,000 ordinary shares of £1 each	370,000	370,000
Allotted, called-up and fully paid		
145,000 ordinary shares of £1 each	145,000	145,000

15. Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 January 2000	120,000	426,837
Retained profit for the year	-	100,976
At 31 December 2000	120,000	527,813

The capital redemption reserve represents the nominal value of preference shares redeemed.

16. Reconciliation of movements in equity shareholders' funds

	2000 £	1999 £
Opening equity shareholders' funds	691,837	474,772
Profit for the year	100,976	217,065
Closing equity shareholders' funds	792,813	691,837

Castle MacLellan Foods Limited

17. Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases, none of which related to land and buildings, as detailed below:

	2000	1999
	£	£
Expiring within two to five years	12,648	12,597

18. Capital commitments

	2000	1999
	£	£
Capital expenditure that has been contracted for but has not been provided in the financial statements	-	6,105

19. Related party transactions

The company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose details of intra-group transactions. There are no other transactions which fall to be disclosed under the terms of FRS 8.

20. Ultimate and immediate parent companies

The company is a wholly owned subsidiary of Kavli Limited, a company registered in England. The ultimate parent company is Kavli Holding A/S, a company incorporated in Norway.

Copies of the ultimate parent company's financial statements can be obtained from:

Kavli Holding A/S
Postboks 7360
5020 Bergen
Norway

The ultimate controlling party of Kavli Holding A/S is O Kavli og Knut Kavli's Almennyttige Fond established in Norway.