

Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2008

Registered number SC077607

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Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2008
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Castle MacLellan Foods Limited

Directors and advisers

Directors

P R Lewney	Managing Director	(appointed 31 October 2008)
H W Roberts	Managing Director	(resigned 31 October 2008)
E Volden	Chairman	

Company secretary

L Hayes

Registered office

Riverside
Dee Walk
Kirkcudbright
DG6 4DR

Bankers

DnBNor
20 St Dunstan's Hill
London
EC3R 8HY

Solicitors

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Independent auditors

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2008

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2008.

Business review and principal activities

The company is a wholly owned subsidiary of Kavli Limited and operates as part of the Kavli group's European division, headed by Kavli Holding A/S (the group).

The principal activities of the company are the manufacture and sale of pâté and other food products to the retail food and food service industries in the UK and Ireland. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company continues to invest in research and development. This has resulted in a number of updates to existing products and processes. The directors regard R&D investment as necessary for continuing success in the medium to long term future.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 2.7% against the prior year although the profit before tax has decreased from £157,032 in 2007 to a loss before tax of £65,263 in 2008 as a result of higher input prices and the need for additional personnel.

The directors approved and paid a final dividend in the year in respect of the year ended 31 December 2008 of £171,263 (2007: £162,236).

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is, in net asset terms, consistent with the prior year. Details of amounts owed to its parent company are shown in notes 10 and 11.

There are no significant events since the balance sheet date.

The group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European division of Kavli Holding A/S, which includes the company, is discussed in the group's annual report which does not form part of this report.

Principal risk and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing value-added services to its customers, having fast response times not only in supplying products but in handling all customer queries, product development and by maintaining strong relationships with its customers.

The company's sales in Ireland are in Euros and the company purchases some of its raw material inputs and services from European companies. It is therefore exposed to the movement in the Euro to Pound exchange rate. The group's treasury function takes out contracts to manage this risk at a group level.

The company has a loan from its parent which attracts interest charges at a margin of 1.25% above LIBOR. It is therefore exposed to interest rate movements.

Group risks are discussed in the group's annual report which does not form part of this report.

Castle MacLellan Foods Limited

Environment

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies which are described in the group's annual report which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements are given below:

P R Lewney	Managing Director	(from 31 October 2008)
H W Roberts	Managing Director	(resigned 31 October 2008)
E Volden		

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which 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 year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Castle MacLellan Foods Limited

Independent auditors and disclosure of information to auditors

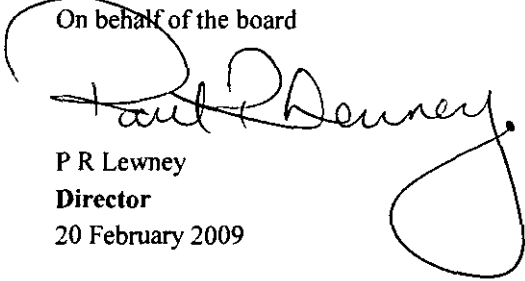
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

The directors have taken all the steps they ought to have taken in their duty as a director in order 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 section 234ZA of the Companies Act 1985.

During the year PricewaterhouseCoopers LLP were appointed as auditors to the company following the resignation of Deloitte & Touche LLP. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

On behalf of the board


P R Lewney
Director
20 February 2009

Castle MacLellan Foods Limited

Independent auditors' report to the members of Castle MacLellan Foods Limited

We have audited the financial statements of Castle MacLellan Foods Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

20 February 2009

Castle MacLellan Foods Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	1	7,198,956	7,009,776
Net operating expenses	2	(7,172,190)	(6,776,978)
Operating profit		26,766	232,798
Interest receivable and similar income		3,362	1,587
Interest payable and similar charges	4	(95,391)	(77,353)
(Loss)/profit on ordinary activities before taxation		(65,263)	157,032
Tax on profit on ordinary activities	5	31,746	14,231
(Loss)/profit for the financial year	16	(33,517)	171,263

All of the operations of the group are continuing.

There are no recognised gains and losses other than those included in the results above for the current financial year and the preceding financial year and therefore no separate statement of total recognised gains and losses has been prepared.

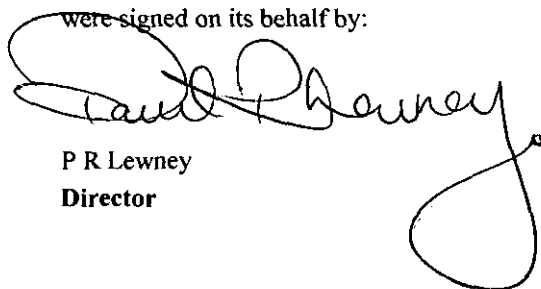
There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

Castle MacLellan Foods Limited

Balance sheet as at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	7		2,567,740		2,705,097
Current assets					
Stocks	8	698,373		527,924	
Debtors	9	1,957,986		1,992,087	
Cash at bank and in hand		373		351	
		2,656,732		2,520,362	
Creditors: amounts falling due within one year	10	(3,682,428)		(3,331,258)	
Net current liabilities			(1,025,696)		(810,896)
Total assets less current liabilities			1,542,044		1,894,201
Creditors: amounts falling due after more than one year	11		(949,937)		(1,062,768)
Provisions for liabilities	12		(137,014)		(171,560)
Net assets			455,093		659,873
Capital and reserves					
Called up share capital	15		145,000		145,000
Capital redemption reserve	16		120,000		120,000
Profit and loss account	16		190,093		394,873
Total shareholders' funds	17		455,093		659,873

The financial statements on pages 6 to 18 were approved by the board of directors on 20 February 2009 and were signed on its behalf by:



P R Lewney
Director

Castle MacLellan Foods Limited

Statement of accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable in the United Kingdom accounting standards. The principal accounting policies adopted are described below and have been applied consistently in the current and prior year.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 "Cash flow statements" (revised 1996) from the requirement to produce a cash flow statement, due to the results of the company being included in the consolidated accounts of the immediate parent.

Turnover

Turnover, which excludes VAT, represents amounts receivable for goods and services provided in the normal course of business, less returns.

Tangible assets

Tangible fixed assets are held at cost less accumulated depreciation. 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 rates used for this purposes are:

Freehold buildings	2.5%
Plant and machinery	10% - 33.33%
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, and net of any provision for obsolete or slow moving stock. Cost comprises the invoiced value of goods purchased plus direct labour and attributable overheads, where applicable. Net realisable value is based upon estimated selling price in the normal course of business after allowing for disposal costs.

Foreign currencies/exchange

Monetary assets and liabilities arising in overseas currencies are converted into sterling at the exchange rate ruling on the transaction date. 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 assets and liabilities are translated into sterling at the rate of exchange ruling at that date.

Taxation

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are measured at the average tax rates that are expected to apply and are on an undiscounted basis.

Castle MacLellan Foods Limited

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.

Pension costs

The company operates two defined contribution pension schemes for employees. The funds of the schemes are administered by Trustees and are separate from the company.

Pension costs in respect of these schemes are charged to the profit and loss account in the year in which they are incurred.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2008

1 Turnover

All of the turnover derives from operations in the UK. Turnover by destination has been split as follows:

	2008	2007
	£	£
United Kingdom	7,036,122	6,820,774
Europe	162,834	189,002
	7,198,956	7,009,776

2 Net operating expenses

	2008	2007
	£	£
Employment costs (note 3)	1,452,339	1,360,930
Amortisation of government grants (note 13)	(78,778)	(63,128)
Depreciation charge for the year:		
Tangible owned fixed assets (note 7)	340,535	291,404
Hire of plant and machinery – operating leases	33,762	18,447
Auditors remuneration:		
Fees payable to the company's auditors for the audit of the company's annual financial statements	6,800	8,000
Other operating charges	5,422,382	5,161,325
Profit on sale of tangible fixed assets	(4,850)	-
Net operating expenses	7,172,190	6,776,978

Castle MacLellan Foods Limited

3 Information regarding directors and employees

The directors of Castle MacLellan Limited, and are also directors of the parent Kavli Limited. The directors received total emoluments of £284,470 (2007: £300,617) from Kavli Limited during the year, but it is not practical to allocate this between their services as executives of Castle MacLellan Limited and their services as directors of Kavli Limited.

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

	2008 Number	2007 Number
Production	77	65
Sales	-	5
Administration	4	4
	81	74

	2008 £	2007 £
Staff costs during the year:		
Wages and salaries	1,314,823	1,225,165
Social security costs	111,807	111,239
Other pension costs (see note 14)	25,709	24,526
	1,452,339	1,360,930

4 Interest payable and similar charges

	2008 £	2007 £
Interest payable on overdrafts	54,806	22,255
Interest payable on group loans	40,585	55,098
	95,391	77,353

Castle MacLellan Foods Limited

5 Tax on profit on ordinary activities

	2008 £	2007 £
Current tax:		
United Kingdom corporation tax at 28.5% (2007: 30%)	(13,729)	-
Adjustments in respect of prior years	16,529	(5,503)
Total current tax	2,800	(5,503)
Deferred tax:		
Origination and reversal of timing differences	(34,546)	(12,502)
Adjustment in respect of prior years	-	3,774
Total deferred tax (note 12)	(34,546)	(8,728)
Tax on profit on ordinary activities	(31,746)	(14,231)

The tax assessed is lower (2007: lower) than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007: 30%).

The differences are explained below:

	2008 £	2007 £
(Loss)/profit on ordinary activities before taxation	(65,263)	157,032
Tax on profit multiplied by the standard rate in the UK 28.5% (2007: 30%)	(18,598)	47,110
Expenses not deductible for tax purposes	(5,481)	(2,163)
Capital allowances less than/(in excess of) depreciation	5,790	(52,307)
Movement in short term timing differences	4,560	428
Losses not utilised	-	6,932
Adjustments in respect of prior years	16,529	(5,503)
Current tax charge/(credit) for the year	2,800	(5,503)

Castle MacLellan Foods Limited

6 Dividends

	2008 £	2007 £
Ordinary:		
Final dividend of 118.11 per share (2007: 111.89p)	171,263	162,236

7 Tangible assets

	Land and buildings £	Plant and machinery £	Motor vehicles	Total £
Cost				
At 1 January 2008	876,675	3,849,513	210	4,726,398
Additions	-	202,428	6,000	208,428
Disposals	-	(5,886)	(6,210)	(12,096)
At 31 December 2008	876,675	4,046,055	-	4,922,730
Depreciation				
At 1 January 2008	211,973	1,809,118	210	2,021,301
Charge for the year	20,758	319,027	750	340,535
Disposals	-	(5,886)	(960)	(6,846)
At 31 December 2008	232,731	2,122,259	-	2,354,990
Net book value				
At 31 December 2008	643,944	1,923,796	-	2,567,740
At 31 December 2007	664,702	2,040,395	-	2,705,097

Castle MacLellan Foods Limited

8 Stocks

	2008	2007
	£	£
Raw materials and consumables	287,797	279,400
Packaging	175,970	161,445
Work in progress	8,429	6,297
Finished goods and goods for resale	226,177	80,782
	698,373	527,924

9 Debtors

	2008	2007
	£	£
Trade debtors	1,755,378	1,759,322
Amounts owed by group undertakings	54,474	31,483
Other debtors	46,120	52,043
Prepayments	102,014	149,239
	1,957,986	1,992,087

10 Creditors: amounts falling due within one year

	2008	2007
	£	£
Bank overdraft	1,502,995	1,034,954
Trade creditors	652,817	672,582
Amounts due to group undertakings	738,939	517,494
Taxation and social security	73,543	101,120
Other creditors and accounts	644,210	938,084
Deferred income (note 13)	69,924	67,024
	3,682,428	3,331,258

Castle MacLellan Foods Limited

11 Creditors: amounts falling due after more than one year

	2008	2007
	£	£
Deferred income (note 13)	458,937	436,768
Amounts owed to group undertakings	491,000	626,000
	949,937	1,062,768

Amounts owed to group undertakings include an intra group loan of £626,000 (2007: £761,000). This loan is unsecured and due for repayment by 30 September 2012. The loan attracts interest charges at a margin of 1.25% above LIBOR. The effective rate as at 31 December 2008 was 3.25%. The maturity of this loan is given below.

	2008	2007
	£	£
Repayable as follows:		
Within one year	135,000	135,000
In more than one year but not more than two year	153,000	135,000
In more than two years but not more than five years	338,000	491,000
Due after more than one year	626,000	761,000

12 Provisions for liabilities

	2008
	£
Deferred taxation	
At 1 January 2008	171,560
Profit and loss account credit for the year	(34,546)
At 31 December 2008	137,014

	2008	2007
	£	£
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	151,536	188,072
Short term timing differences	(8,543)	(10,041)
Losses carried forward	(5,979)	(6,471)
	137,014	171,560

Castle MacLellan Foods Limited

12 Provisions for liabilities (continued)

A deferred tax asset amounting to £5,979 (2007: £6,471) for capital and trading losses has not been recognised because in the opinion of the directors there will be no suitable taxable gains available in the foreseeable future.

13 Deferred income

	2008	2007
	£	£
Government grants		
At 1 January	503,792	283,325
Grants received in year	103,847	283,595
Amortisation in year	(78,778)	(63,128)
At 31 December	528,861	503,792
Within creditors due within one year	67,024	67,024
Within creditors due after more than one year	436,768	436,768
	528,861	503,792

14 Pension schemes

The company operates two funded defined contribution pension schemes. Contributions charged in the profit and loss account in the year totalled £25,709 (2007: £24,526).

At 31 December 2008 an accrual of £249 (2007: £61) was included in the balance sheet in respect of pension payments.

15 Called up share capital

	2008	2007
	£	£
Authorised		
370,000 ordinary shares of £1 each	370,000	370,000
Allotted and fully paid		
145,000 ordinary shares of £1 each	145,000	145,000

Castle MacLellan Foods Limited

16 Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 January 2008	120,000	394,873
Loss for the financial year	-	(33,517)
Dividends (note 6)	-	(171,263)
At 31 December 2008	120,000	190,093

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

17 Reconciliation of movement in equity shareholders' funds

	2008 £	2007 £
(Loss)/profit for the financial year	(33,517)	171,263
Dividends (note 6)	(171,263)	(162,236)
Net (decrease)/increase in shareholders' funds	(204,780)	9,027
Opening shareholders' funds	659,873	650,846
Closing shareholders' funds	455,093	659,873

Castle MacLellan Foods Limited

18 Financial commitments

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

	2008	2007
	£	£
Expiring within one year	-	3,842
Expiring within two to five years	21,278	8,297
	21,278	12,139

19 Capital commitments

	2008	2007
	£	£
Capital expenditure contracted for but not provided in the financial statements.	-	6,921

20 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8 "Related party disclosures" on the grounds that it is a wholly owned subsidiary of a group headed by Kavli Holding A/S, whose accounts are publicly available.

21 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.

The parent undertaking of the largest group which includes the company, and for which group accounts are prepared, is Kavli Holding A/S. The parent undertaking of the smallest such group is Kavli Limited.

Copies of the financial statements for this group 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.