

Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered number SC077607



Castle MacLellan Foods Limited

Annual report and financial statements

for the year ended 31 December 2016

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Castle MacLellan Foods Limited

Directors and advisers

Directors

P R Lewney Managing director
E Volden Chairman

Company secretary

L Hayes

Registered office

Riverside
Dee Walk
Kirkcudbright
Dumfries and Galloway
DG6 4DR

Bankers

DNB
8th Floor
The Walbrook Building
London
EC4N 8AF

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

Principal activities and business review

Castle MacLellan Foods Limited is a wholly owned subsidiary of Kavli UK Limited, which is itself a wholly owned subsidiary of Kavli Holding A/S. The Kavli Trust (Kavlifondet) is the sole owner of Kavli Holding A/S which runs the commercial operations of the Scandinavian based Kavli food group. Both Castle MacLellan Foods Limited and Kavli UK Limited operate as part of the Kavli group's European division, headed by Kavli Holding A/S (the group). The objective of Kavli Holding A/S is to provide secure, long-term funding to the Kavli Trust so that it can continue to provide financial support to good causes. A proportion of the Kavli food group's profits are reinvested to strengthen and develop the group's operations, while the remainder is passed to the Kavli Trust to make charitable donations in line with its priorities and commitments, the key beneficiaries being humanitarian work and research as well as some cultural activities. All of the prior year profits after taxation of Castle MacLellan Foods Limited are transferred via Kavli UK Limited to Kavli Holding A/S for the ultimate benefit of the Kavli Trust.

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 United Kingdom and Europe. 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 other major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 10, the company's turnover has decreased by 5% against the prior year and the profit on ordinary activities before taxation has decreased from £937,610 in 2015 to £659,708 in 2016. The company lost business with a major customer during the year but by the year end had offset the losses, to a large extent, with sales of new products to new customers.

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

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2016 (continued)

Key performance indicators (KPIs)

The company manages its operations using key performance indicators. As the overriding objective of the business is to provide secure, long-term funding to the Kavli Trust, profitability and return on the Kavli Trust's income-generating assets is of paramount importance. The principal financial key performance indicators monitored to ensure achievement of this objective include:

Key performance

Indicator	Definition	2016	2015
Profitability	Operating profit in absolute terms and Operating profit margin	£822,941 6.5%	£1,172,844 8.8%

Profitability has decreased as a result of lost sales to a major customer.

Return on average capital employed	Operating profit divided by the average of the opening and closing Total assets less current liabilities	16.6%	22.1%
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Whilst the company's asset base has decreased only slightly, the reduction in profitability has reduced the return on average capital employed.

Average monthly working capital	Average monthly short term assets less average short term liabilities (excluding cash, overdrafts & group balances) as percentage of turnover.	-0.7%	-0.7%
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The average monthly working capital position continues to be negative but has remained consistent with the prior year.

Principal risks and uncertainties

As with any business, the company faces a number of risks and uncertainties in the course of its day to day operations. The company regularly reviews its principal risks and prioritises them according to the potential impact and likelihood to adversely affect the company. This allows the management team to design appropriate responses and to prioritise actions to the most severe risks facing the company. The principal risks affecting the company include:

Competitive pressure in the United Kingdom 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.

Raw material availability/pricing is a risk in respect of key raw materials. The company monitors raw material sources on a national and global basis for key inputs and negotiates forward purchase contracts where appropriate with key suppliers.

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties (continued)

Operational failure as a result of a major disaster is an inherent risk for the company. This could cause significant disruption to the business and so the company has in place a formal business continuity plan that is regularly reviewed and updated.

Legislative and regulatory compliance is critical for a food manufacturing business. The company monitors current and forthcoming legislation regularly to ensure ongoing compliance.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, currency risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the cost of managing exposure to commodity price risk exceeds any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Currency risk

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 Kavli Holding group's treasury function takes out contracts to manage this risk at a group level.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company does not utilise debt finance, relying on its own controls to manage credit risk. The company also recognises it is exposed to the risk of financial institutions becoming insolvent. To reduce this risk deposits are only made with financial institutions which have been credit scored and whose global rating is appropriate.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at a variable rate. The company has a policy of maintaining low levels of debt to reduce the volatility of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has loans and a short term overdraft from members of the Kavli food group which attract interest charges at margins of 2.5% and 0.85% above the UK base rate, respectively. It is therefore exposed to interest rate movements.

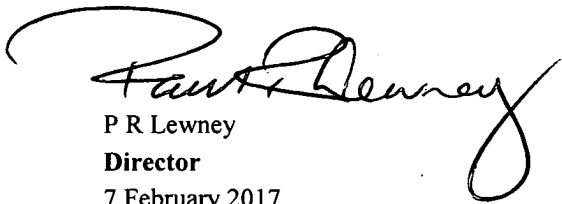
Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2016 (continued)

Environment

The Kavli Holding 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 group operates in accordance with Kavli Holding group policies which are described in the Kavli Holding 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.

On behalf of the board

A handwritten signature in black ink, appearing to read 'P R Lewney', with a large, sweeping flourish extending from the end of the signature.

P R Lewney

Director

7 February 2017

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2016

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2016.

Company number

Registered number SC077607

Branches outside the UK

There are no branches outside the UK.

Dividends

A final dividend of 494.47p per share (2015: 330.46p per share), amounting to £716,987 was paid during the year ended 31 December 2016 (2015: £479,172).

Research and development

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

Future developments

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.

Post balance sheet events

There are no significant events since the balance sheet date.

Financial risk management

Details of the company's financial risk management objectives and its exposure to related risks are disclosed on page 4 of the Strategic report.

Directors

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

P R Lewney

E Volden

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 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.

Disclosure of information to auditors

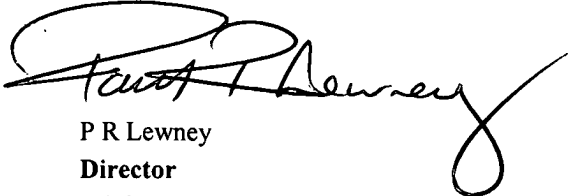
In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the board



P R Lewney

Director

7 February 2017

Castle MacLellan Foods Limited

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

Report on the financial statements

Our opinion

In our opinion, Castle MacLellan Foods Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Castle MacLellan Foods Limited

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
7 February 2017

Castle MacLellan Foods Limited

Profit and loss account for the year ended 31 December 2016

		2016	2015
	Note	£	£
Turnover	1	12,745,419	13,375,632
Net operating expenses	2	(11,922,478)	(12,202,788)
Operating profit		822,941	1,172,844
Interest receivable and similar income	4	20	1
Interest payable and similar charges	5	(163,253)	(235,235)
Profit on ordinary activities before taxation		659,708	937,610
Tax on profit on ordinary activities	6	(172,431)	(220,623)
Profit for the financial year		487,277	716,987

All of the operations of the company are continuing.

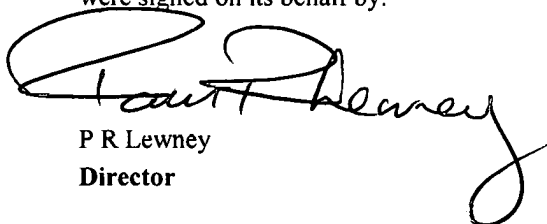
There are no income or expenditure items other than those included in the results above for the current financial year and the preceding financial year and therefore no separate statement of comprehensive income has been prepared.

Castle MacLellan Foods Limited

Statement of financial position as at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	8		5,162,009		5,637,471
Current assets					
Stocks	9	879,200		961,465	
Debtors	10	3,770,394		3,945,876	
Cash at bank and in hand		1,920		2,880	
		4,651,514		4,910,221	
Creditors: amounts falling due within one year	11	(5,118,292)		(5,303,713)	
Net current liabilities			(466,778)		(393,492)
Total assets less current liabilities			4,695,231		5,243,979
Creditors: amounts falling due after more than one year	12		(3,702,197)		(4,029,766)
Provisions for liabilities	13		(50,664)		(42,133)
Net assets			942,370		1,172,080
Capital and reserves					
Called up share capital	14		145,000		145,000
Capital redemption reserve			120,000		120,000
Profit and loss account			677,370		907,080
Total equity			942,370		1,172,080

The financial statements on pages 10 to 28 were approved by the board of directors on 7 February 2017 and were signed on its behalf by:



P R Lewney
Director

Castle MacLellan Foods Limited

Statement of changes in equity for the year ended 31 December 2016

	Note	Called up share capital £	Profit and loss account £	Capital redemption reserve £	Total equity £
Balance as at 1 January 2015		145,000	669,265	120,000	934,265
Profit for the financial year		-	716,987	-	716,987
Total comprehensive income for the year		-	716,987	-	716,987
Dividends	7	-	(479,172)	-	(479,172)
Total transactions with owners, recognised directly in equity		-	(479,172)	-	(479,172)
Balance as at 31 December 2015		145,000	907,080	120,000	1,172,080
Balance as at 1 January 2016		145,000	907,080	120,000	1,172,080
Profit for the financial year			487,277		487,277
Total comprehensive income for the year			487,277		487,277
Dividends	7		(716,987)		(716,987)
Total transactions with owners, recognised directly in equity			(716,987)		(716,987)
Balance as at 31 December 2016		145,000	677,370	120,000	942,370

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The capital redemption reserve was created on the redemption of redeemable preference shares. There are no remaining shares issued from this class of shares.

Castle MacLellan Foods Limited

Statement of accounting policies

General information

Castle MacLellan Foods Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The registered office is Riverside, Dee Walk, Kirkcudbright, Dumfries and Galloway, DG6 4DR.

The principal activities of the company are the manufacture and sale of food products to the retail food and food service industries in the United Kingdom.

Statement of compliance

The company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in the current and prior year, unless otherwise stated.

Castle MacLellan Foods Limited constitutes a public benefit entity as it is a part of a group which is a public benefit entity ("PBE") as defined by FRS 102. An entity within a PBE group is subject to the PBE accounting treatment despite not being a PBE itself.

Basis of preparation

These company financial statements are prepared on a going concern basis, under the historical cost convention and are in accordance with the applicable accounting standards. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in critical accounting estimates, assumptions and judgements in applying the accounting policies.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the strategic report. The strategic report also describes the financial position of the company; its financial risk management objectives; and its exposure to credit risk and liquidity risk. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the financial statements of the parent company, Kavli UK Limited, includes the company's cash flows;

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures; and
- (iii) from disclosing the company's key management personnel compensation, as required by FRS 102 paragraph 33.7.

Tangible fixed assets and depreciation

Tangible fixed assets are held at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use, together with any incidental costs of acquisition.

Land and buildings include freehold property which are stated at cost less accumulated depreciation and impairment losses.

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% - 33.33%
Motor vehicles	20% - 33.33%

Freehold land is not depreciated

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

The Kavli group operates a group cash pool arrangement therefore subsidiary cash balances or overdrafts are presented as amounts owed from or to group undertakings.

Stocks

Stocks are stated at the lower of cost and estimated selling price, less cost to complete and sell, including any provision for obsolete or slow moving stock.

Cost comprises the invoiced value of goods purchased plus direct labour and attributable overheads, where applicable, and is determined on an average cost basis.

At the end of each reporting period, stocks are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Foreign currencies/exchange

The company financial statements are presented in pound sterling. The functional and presentation currency is pound sterling.

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 monetary assets and liabilities are translated into sterling at the rate of exchange ruling at that date.

Turnover

Turnover, which excludes value added tax, represents amounts receivable for goods provided in the normal course of business, less returns. Turnover is recognised at the point at which goods are received by the customer.

Government grants

The entity recognises government grants using the accrual model. An entity applying the accrual model shall classify grants either as a grant relating to revenue or a grant relating to assets.

Grants relating to revenue shall be recognised in income on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The company operates three (2015: three) defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense in the profit and loss account in the year in which they are incurred. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as 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

Statement of accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

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 statement of financial position date.

Deferred tax is provided in full on timing differences which result in an obligation at the statement of financial position 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.

Research and development

Costs in respect of research and development activities are charged to the profit and loss account as they are incurred.

Incoming resources from non-exchange transactions

The entity, as a public benefit entity within a public benefit entity group, may apply simplified accounting where resources are received before the revenue recognition criteria are satisfied, and a liability is recognised.

Financial instruments

The entity has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The entity does not hold or issue derivative financial instruments for trading purpose.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Critical judgements in applying the accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. No critical judgements have been applied in the preparation of these financial statements.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Critical accounting estimates and assumptions (continued)

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the property, plant and machinery and above for the useful economic lives for each class of assets.

Inventory provisioning

The company manufactures food products which are perishable. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 9 for the net carrying amount of the inventory and associated provision.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016

1 Turnover

All of the turnover derives from operations based in the United Kingdom and relates to the sale of food products. Turnover by destination has been split as follows:

	2016	2015
	£	£
United Kingdom	12,745,419	13,375,632

2 Net operating expenses

Operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Change in stocks of finished goods and work in progress	31,958	(59,912)
Other operating income	-	(1,275)
Raw materials and consumables	5,176,054	5,449,065
Staff costs (note 3)	2,740,756	2,711,433
Depreciation charge for the year:		
Tangible fixed assets (note 8)	613,340	758,881
Amortisation of government grants (note 15)	(67,556)	(39,069)
Other operating charges	3,241,344	3,204,702
Hire of plant and machinery – operating leases	32,773	27,421
Hire of other assets – operating leases	9,022	8,518
Research and development costs	136,937	131,486
Auditors' remuneration:		
For the audit of the company's annual financial statements	7,850	8,675
For the provision of advisory services to the company	-	2,750
Loss on sale of tangible fixed assets	-	113
Net operating expenses	11,922,478	12,202,788

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Information regarding directors and employees

The directors of Castle MacLellan Foods Limited are also directors of the parent company Kavli UK Limited and its subsidiaries. The directors received total emoluments of £284,320 (2015: £262,217) from Kavli UK Limited and its subsidiaries during the year, but it is not practical to allocate this between their services as executives of Castle MacLellan Foods Limited and their services as directors of Kavli UK Limited and its subsidiaries.

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

	2016 Number	2015 Number
Production	114	112
Administration	5	5
	119	117

	2016 £	2015 £
Staff costs during the year (including executive directors):		
Wages and salaries	2,428,567	2,416,087
Social security costs	200,216	197,344
Other pension costs (note 16)	111,973	98,002
	2,740,756	2,711,433

4 Interest receivable and similar income

	2016 £	2015 £
Other financial income	20	1

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

5 Interest payable and similar charges

	2016	2015
	£	£
Bank interest payable	6,161	6,208
Interest payable to group companies	116,723	129,831
Other financial expenses payable to group companies	40,102	94,737
Other financial expenses	267	4,459
	163,253	235,235

6 Tax on profit on ordinary activities

(a) Tax expense included in profit and loss account

	2016	2015
	£	£
Current tax:		
UK corporation tax on profits for the year	169,578	267,144
Adjustments in respect of prior years	(5,678)	(3,601)
Total current tax	163,900	263,543
Deferred tax:		
Origination and reversal of timing differences	(2,225)	(46,840)
Effects of changes in tax rates	(2,666)	571
Adjustments in respect of prior years	13,422	3,349
Total deferred tax (note 13)	8,531	(42,920)
Tax on profit on ordinary activities	172,431	220,623

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

6 Tax on profit on ordinary activities (continued)

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%).

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2016	2015
	£	£
Profit on ordinary activities before taxation	659,708	937,610
Profit multiplied by standard rate of tax in the UK of 20% (2015: 20.25%)	131,942	189,834
Effects of:		
Expenses not deductible for tax purposes	35,411	30,470
Tax rate changes	(2,666)	571
Adjustments in respect of prior year – current tax	(5,678)	(3,601)
Adjustments in respect of prior year – deferred tax	13,422	3,349
Total tax charge for the year	172,431	220,623

(c) Tax rate changes

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. A further reduction in the main corporation tax rate to 17% from 1 April 2020 was announced in the 2016 Budget and substantively enacted in the Finance Act 2016. Given the changes are stepped, deferred tax assets and liabilities reflect the rate of 19% that will apply from 1 April 2017.

7 Dividends

	2016	2015
	£	£
Ordinary:		
Final dividend of 494.47p per share (2015: 330.46p per share)	716,987	479,172

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Tangible assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2016	3,900,033	6,243,761	21,563	10,165,357
Additions	85,937	51,941	-	137,878
Disposals	-	(12,139)	-	(12,139)
At 31 December 2016	3,985,970	6,283,563	21,563	10,291,096
Accumulated depreciation				
At 1 January 2016	584,467	3,921,856	21,563	4,527,886
Charge for the year	193,861	419,479	-	613,340
Disposals	-	(12,139)	-	(12,139)
At 31 December 2016	778,328	4,329,196	21,563	5,129,087
Net book value				
At 31 December 2016	3,207,642	1,954,367	-	5,162,009
At 31 December 2015	3,315,566	2,321,905	-	5,637,471

9 Stocks

	2016 £	2015 £
Raw materials and consumables	473,062	565,939
Packaging	232,884	190,314
Work in progress	42,010	13,490
Finished goods and goods for resale	131,244	191,722
	879,200	961,465

Stocks are stated after provisions for impairment of £167,500 (2015: £175,521). There is no difference between the carrying amount of inventory and replacement cost.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Debtors

	2016	2015
	£	£
Trade debtors	3,046,783	3,499,061
Amounts owed by group undertakings	458,192	187,003
Other debtors	169,669	157,089
Prepayments and accrued income	95,750	102,723
	3,770,394	3,945,876

Trade debtors are stated after provisions for impairment of £88,014 (2015: 109,010).

All amounts owed by group undertakings are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

11 Creditors: amounts falling due within one year

	2016	2015 As restated
	£	£
Bank loans and overdrafts	-	579,025
Trade creditors	1,209,372	1,265,042
Amounts owed to group undertakings:		
- group cash pool arrangement	287,099	579,025
- trading balances	1,935,336	1,462,834
Corporation tax	81,188	161,544
Other taxation and social security	98,497	78,456
Other creditors	103,907	53,073
Accruals	1,375,480	1,665,315
Deferred income (note 15)	27,413	38,424
	5,118,292	5,303,713

Any bank overdraft arising during the year as part of the group cash pool arrangement is secured by a guarantee given by Kavli Holding A/S and attracts an interest rate of 0.85% (2015: 0.85%) above the UK base rate. All trading amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The 2015 numbers have been restated to present the overdraft in amounts owed to group undertakings as part of the group cash pool arrangement.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

12 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to group undertakings	3,599,550	3,899,700
Deferred income (note 15)	102,647	130,066
	3,702,197	4,029,766

Amounts owed to group undertakings include an intra-group loan of £3,899,700 (2015: £4,199,850). This loan is unsecured and is due for repayment in equal instalments by 31 December 2029. The loan attracts interest charges at a margin of 2.5% above the UK Base Rate. The effective rate at 31 December 2016 was 2.75%. The maturity of the loan and the group cash pool arrangement is given below:

	2016 £	2015 £
Repayable as follows		
Within one year	587,249	879,175
In more than one year but not more than two years	300,150	300,150
In more than two years but less than five years	900,450	900,450
In more than 5 years	2,398,950	2,699,100
	3,899,700	4,778,875

13 Provisions for liabilities

	£
Deferred taxation	
At 1 January 2016	42,133
Profit and loss account credit for the year	(4,891)
Under provision in respect of prior year	13,422
At 31 December 2016	50,664

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13 Provisions for liabilities (continued)

	2016	2015
	£	£
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	74,937	72,418
Short term timing differences	(24,273)	(30,285)
	50,664	42,133

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the year end date is £11,000 (2015: £3,000). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

14 Called up share capital

	2016	2015
	£	£
Authorised		
370,000 (2015: 370,000) ordinary shares of £1 each	370,000	370,000
Allotted and fully paid		
145,000 (2015: 145,000) ordinary shares of £1 each	145,000	145,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

15 Deferred income

	2016	2015
	£	£
Government grants		
At 1 January	168,490	205,409
Grants received in year	29,126	2,150
Amortisation in year	(67,556)	(39,069)
At 31 December	130,060	168,490
Within creditors amounts falling due within one year	27,413	38,424
Within creditors amounts falling due after more than one year	102,647	130,066
	130,060	168,490

If the company does not maintain approved headcount numbers, the company may be liable to repay certain government grants.

16 Employee benefits

The company operates three funded defined contribution pension schemes. Contributions charged in the profit and loss account in the year totalled £111,973 (2015: £98,002).

At 31 December 2016 an accrual of £1,797 (2015: £1,578) was included in the statement of financial position in respect of pension payments.

17 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:

	2016	2015
	£	£
Expiring within one year	16,183	5,139
Expiring within two to five years	24,158	21,294
	40,341	26,433

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

18 Capital commitments

	2016	2015
	£	£
Capital expenditure contracted for but not provided in the financial statements	190,343	116,420

19 Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of section 33 of FRS 102 'Related party disclosures' on the grounds that it is a wholly owned subsidiary of a group headed by Kavli Holding A/S, whose consolidated financial statements are publicly available.

20 Ultimate and immediate parent companies

The company is a wholly owned subsidiary of Kavli UK 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 consolidated financial statements are prepared, is Kavli Holding A/S. The parent undertaking of the smallest such group is Kavli UK 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 the Kavli Trust (Kavlifondet), formerly known as O Kavli og Knut Kavli's Almennyttige Fond, a charitable foundation established in Norway.