

Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2018

Registered number SC077607

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EDINBURGH

29 AUG 2019

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Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2018
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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

Square One Law LLP
Anson House
Fleming Business Centre
Burdon Terrace
Newcastle upon Tyne
NE2 3AE

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 2018

The directors present their strategic report on the company for the year ended 31 December 2018.

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 UK division, headed by Kavli UK Limited (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. All of the prior year profits after taxation are normally transferred via Kavli UK Limited to Kavli Holding A/S for the ultimate benefit of the Kavli Trust, other than in years where there are specific cash flow requirements to grow the UK businesses.

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.

As shown in the company's profit and loss account on page 9, the company's turnover has decreased by 10% against the prior year and the profit before taxation has decreased from £22,867 in 2017 to a loss of £772,347 in 2018. The results have declined due to changes in customer contracts and higher input costs that have not been passed on to customers. The statement of financial position sheet on page 10 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 due to the loss for the year. The directors have a plan to improve the company's results and financial position in 2019. Details of amounts owed by and to its parent company are shown in notes 10, 11 and 12.

Key performance indicators (KPIs)

The company manages its operations using key performance indicators. In line with the overriding objective of the business, 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:

KPI	Definition	2018	2017
Profitability	Operating (loss)/profit in absolute terms and Operating (loss)/profit margin	£(643,018) (5.9%)	£134,295 1.1%

Profitability has decreased due to lost sales to a major customer and additional input costs that we have been unable to pass onto customers.

Return on average capital employed	Operating profit divided by the average of the opening and closing Total assets less current liabilities	(18.9%)	3.1%
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The return on average capital employed has reduced due to the decline in profit in the year.

Average monthly working capital	Average monthly short term assets less average short term liabilities (excluding cash, overdrafts & group balances) as percentage of turnover.	(0.8%)	(0.7%)
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The average monthly working capital position continues to be negative, consistent with the prior year.

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2018 (continued)

Principal risks and uncertainties

The company faces a number of risks and uncertainties in the course of its day to day operations, including:

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 in supplying products, new product development and by maintaining strong relationships with its customers.

Raw material availability/pricing is a risk in respect of key raw materials. The group monitors raw material sources for key inputs and negotiates forward purchase contracts where appropriate. Given the uncertainties associated with the UK's exit from the European Union (EU), the group considers this to be a heightened risk and alternative supplies are being identified for all EU inputs.

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 a formal business continuity plan that is regularly 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. 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 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. 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 and financial institutions before sales and deposits are made. The company does not utilise debt finance.

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 (cash balances only) and liabilities. The company has a policy of maintaining low levels of debt to reduce the volatility of future interest cash flows. 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 and LIBOR, respectively. It is therefore exposed to interest rate movements.

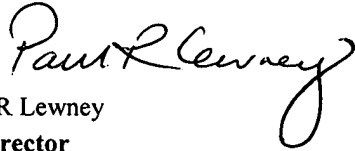
Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2018 (continued)

Environment

The company recognises the importance of its environmental responsibilities and operates in accordance with Kavli Holding group's policies to reduce any damage that might be caused by the company's activities.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Paul R Lewney', written in a cursive style.

P R Lewney

Director

6 February 2019

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018.

Company number

Registered number SC077607

Branches outside the UK

There are no branches outside the UK.

Dividends

No dividend was paid during the year (2017: £487,277, amounting to 336.05p per share).

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 3 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 2018 (continued)

Statement of directors' responsibilities in respect of 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. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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

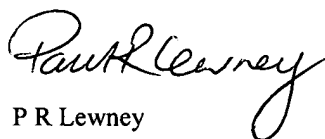
In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (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

6 February 2019

Castle MacLellan Foods Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Castle MacLellan Foods Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements for the year ended 31 December 2018 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the profit and loss account and the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report for the year ended 31 December 2018, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Castle MacLellan Foods Limited

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report for the year ended 31 December 2018

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report for the year ended 31 December 2018.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

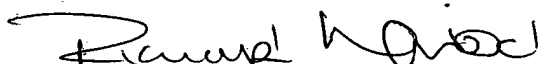
Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Richard Lingwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
6 February 2019

Castle MacLellan Foods Limited

Profit and loss account for the year ended 31 December 2018

		2018	2017
	Note	£	£
Turnover	1	10,860,778	12,053,178
Net operating expenses	2	(11,503,796)	(11,918,883)
Operating (loss)/profit		(643,018)	134,295
Interest receivable and similar income	4	38	1,905
Interest payable and similar charges	5	(129,367)	(113,333)
(Loss)/profit before taxation		(772,347)	22,867
Tax on (loss)/profit	6	118,233	(42,063)
Loss for the financial year		(654,114)	(19,196)

All of the operations of the company are continuing.

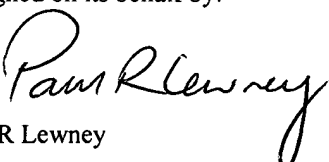
There are no income or expenditure items other than those included in the results above for the current financial year and the preceding financial year and therefore no separate statement of comprehensive income has been prepared.

Castle MacLellan Foods Limited

Statement of financial position as at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	8		4,481,160		4,765,294
Current assets					
Stocks	9	826,122		933,749	
Debtors	10	3,531,168		3,856,514	
Cash at bank and in hand		1,996		1,509	
		4,359,286		4,791,772	
Creditors: amounts falling due within one year	11	(5,919,230)		(5,673,207)	
Net current liabilities			(1,559,944)		(881,435)
Total assets less current liabilities			2,921,216		3,883,859
Creditors: amounts falling due after more than one year	12		(3,091,244)		(3,396,602)
Provisions for liabilities	13		(48,189)		(51,360)
Net (liabilities)/assets			(218,217)		435,897
Capital and reserves					
Called up share capital	14		145,000		145,000
Capital redemption reserve			120,000		120,000
Profit and loss account			(483,217)		170,897
Total equity			(218,217)		435,897

The financial statements on pages 9 to 27 were approved by the board of directors on 6 February 2019 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 2018

	Note	Called up share capital £	Profit and loss account £	Capital redemption reserve £	Total equity £
Balance as at 1 January 2017		145,000	677,370	120,000	942,370
Loss for the financial year		-	(19,196)	-	(19,196)
Total comprehensive expense for the year		-	(19,196)	-	(19,196)
Dividends	7	-	(487,277)	-	(487,277)
Total transactions with owners, recognised directly in equity		-	(487,277)	-	(487,277)
Balance as at 31 December 2017		145,000	170,897	120,000	435,897
Balance as at 1 January 2018		145,000	170,897	120,000	435,897
Loss for the financial year		-	(654,114)	-	(654,114)
Total comprehensive expense for the year		-	(654,114)	-	(654,114)
Dividends	7	-	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	-
Balance as at 31 December 2018		145,000	(483,217)	120,000	(218,217)

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 company is registered in Scotland and its 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.

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. In addition, the company benefits from the continued support of the parent company, Kavli UK Limited and the ultimate parent undertaking, Kavli Holding A/S. The directors therefore 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. Assets under construction are not depreciated. 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 (2017: 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.

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.

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.

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Financial instruments (continued)

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 purposes.

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.

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.

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Critical accounting estimates and assumptions (continued)

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 2018

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:

	2018	2017
	£	£
United Kingdom	10,812,085	12,016,919
Europe	48,693	36,259
	10,860,778	12,053,178

2 Net operating expenses

Operating (loss)/profit is stated after charging/(crediting):

	2018	2017
	£	£
Change in stocks of finished goods and work in progress	90,909	(42,899)
Other operating income	(28,613)	(36,788)
Raw materials and consumables	4,918,767	5,352,263
Staff costs (note 3)	2,914,589	2,941,765
Depreciation charge for the year:		
Tangible fixed assets (note 8)	475,377	567,275
Amortisation of government grants (note 15)	(8,561)	(31,619)
Other operating charges	2,865,544	2,963,558
Hire of plant and machinery – operating leases	46,085	43,972
Hire of other assets – operating leases	7,513	7,037
Research and development costs	218,610	147,719
Auditors' remuneration:		
For the audit of the company's annual financial statements	7,850	7,850
Profit on sale of tangible fixed assets	(4,274)	(1,250)
Net operating expenses	11,503,796	11,918,883

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (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 £253,695 (2017: £248,682) 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:

	2018	2017
	Number	Number
Production	113	116
Administration	5	5
	118	121

	2018	2017
	£	£
Staff costs during the year (including executive directors):		
Wages and salaries	2,559,092	2,593,483
Social security costs	220,200	219,596
Other pension costs (note 16)	135,297	128,686
	2,914,589	2,941,765

4 Interest receivable and similar income

	2018	2017
	£	£
Other financial income	38	1,905

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Interest payable and similar charges

	2018	2017
	£	£
Bank interest payable	19,818	9,211
Interest payable to group companies	106,192	103,927
Other financial expenses	3,357	195
	129,367	113,333

6 Tax on (loss)/profit

(a) Tax (credit)/expense included in profit and loss

	2018	2017
	£	£
Current tax:		
UK corporation tax on (loss)/profit for the year	(115,062)	41,264
Adjustments in respect of prior years	-	103
Total current tax	(115,062)	41,367
Deferred tax:		
Origination and reversal of timing differences	(3,544)	6,826
Effects of changes in tax rates	373	(6,130)
Adjustments in respect of prior years	-	-
Total deferred tax (note 13)	(3,171)	696
Tax on (loss)/profit	(118,233)	42,063

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Tax on (loss)/profit (continued)

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%).

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

	2018	2017
	£	£
(Loss)/profit before taxation	(772,347)	22,867
(Loss)/profit before taxation multiplied by standard rate of tax in the UK of 19% (2017: 19.25%)	(146,746)	4,401
Effects of:		
Expenses not deductible for tax purposes	28,140	43,849
Tax rate changes	373	(6,130)
Adjustments in respect of prior year – current tax	-	(57)
Adjustments in respect of prior year – deferred tax	-	-
Total tax (credit)/charge for the year	(118,233)	42,063

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 and Finance Bill 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

7 Dividends

	2018	2017
	£	£
Ordinary:		
Final dividend of £nil per share (2017: 336.05p per share)	-	487,277

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tangible assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Assets under construction £	Total £
Cost					
At 1 January 2018	4,068,452	6,370,641	21,563	-	10,460,656
Additions	-	121,140	-	70,103	191,243
Disposals	-	(84,089)	-	-	(84,089)
At 31 December 2018	4,068,452	6,407,692	21,563	70,103	10,567,810
Accumulated depreciation					
At 1 January 2018	953,800	4,719,999	21,563	-	5,695,362
Charge for the year	145,910	329,467	-	-	475,377
Disposals	-	(84,089)	-	-	(84,089)
At 31 December 2018	1,099,710	4,965,377	21,563	-	6,086,650
Net book value					
At 31 December 2018	2,968,742	1,442,315	-	70,103	4,481,160
At 31 December 2017	3,114,652	1,650,642	-	-	4,765,294

9 Stocks

	2018 £	2017 £
Raw materials and consumables	487,678	515,586
Packaging	213,200	202,010
Work in progress	21,484	9,635
Finished goods and goods for resale	103,760	206,518
	826,122	933,749

Stocks are stated after provisions for impairment of £132,900 (2017: £158,300). 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 2018 (continued)

10 Debtors

	2018	2017
	£	£
Trade debtors	2,878,860	3,129,887
Amounts owed by group undertakings	406,222	499,962
Other debtors	144,794	123,566
Prepayments and accrued income	101,292	103,099
	3,531,168	3,856,514

Trade debtors are stated after provisions for impairment of £67,411 (2017: £102,834).

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

	2018	2017
	£	£
Trade creditors	1,340,169	1,272,082
Amounts owed to group undertakings:		
- group cash pool arrangement	1,880,286	1,614,590
- trading balances	1,373,544	1,352,400
Other taxation and social security	93,498	101,204
Other creditors	143,336	139,497
Accruals	1,083,189	1,187,988
Deferred income (note 15)	5,208	5,446
	5,919,230	5,673,207

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% (2017: 0.85%) above LIBOR. All trading amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	2,999,250	3,299,400
Deferred income (note 15)	91,994	97,202
	3,091,244	3,396,602

Amounts owed to group undertakings include an intra-group loan of £3,299,400 (2017: £3,599,550). 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 2018 was 3.25%. The maturity of the loan and the group cash pool arrangement is given below:

	2018 £	2017 £
Repayable as follows		
Within one year	2,180,436	1,914,740
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 five years	1,798,650	2,098,800
	5,179,686	5,214,140

13 Provisions for liabilities

	£
Deferred taxation	
At 1 January 2018	51,360
Profit and loss account credit for the year	(3,171)
At 31 December 2018	48,189

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Provisions for liabilities (continued)

	2018	2017
	£	£
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	69,069	73,414
Short term timing differences	(20,880)	(22,054)
	48,189	51,360

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the year end date is £nil (2017: £17,000). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

14 Called up share capital

	2018	2017
	£	£
Authorised		
370,000 (2017: 370,000) ordinary shares of £1 each	370,000	370,000
Allotted and fully paid		
145,000 (2017: 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 2018 (continued)

15 Deferred income

	2018	2017
	£	£
Government grants		
At 1 January	102,648	130,060
Grants received in year	3,115	4,207
Amortisation in year	(8,561)	(31,619)
At 31 December	97,202	102,648
Within creditors amounts falling due within one year	5,208	5,446
Within creditors amounts falling due after more than one year	91,994	97,202
	97,202	102,648

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 £135,297 (2017: £128,686).

At 31 December 2018 an accrual of £2,468 (2017: £2,240) 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:

	2018	2017
	£	£
Expiring within one year	4,218	3,713
Expiring within two to five years	21,903	23,228
	26,121	26,941

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Capital commitments

	2018	2017
	£	£
Capital expenditure contracted for but not provided in the financial statements	102,421	32,318

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.