

Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number SC077607



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Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2020
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Castle MacLellan Foods Limited

Directors and advisers

Directors

P R Lewney	Managing director
E Volden	Chairman (to 22 February 2021)
K Hamnes	Chairman (from 22 February 2021)

Company secretary

L Hayes

Registered office

Riverside
Dee Walk
Kirkcudbright
Dumfries and Galloway
DG6 4DR

Bankers

DNB
8th Floor
The Walbrook Building
25 Walbrook
London
EC4N 8AF

Solicitors

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 2020

The directors present their strategic report on the company for the year ended 31 December 2020.

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 11, the company's turnover has increased by 26% against the prior year and the result before taxation has increased from a loss of £80,358 in 2019 to a profit of £1,238,889 in 2020. The results have improved due to changes in customer contracts and the product mix. The statement of financial position sheet on page 12 of the financial statements shows that the company's financial position at the year end is, in net asset terms, higher than the prior year due to the company's improved results. The directors continue to expect to improve the company's results and financial position in 2021. Details of amounts owed by and to its parent company are shown in notes 9, 10 and 11.

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	2020	2019
Profitability	Operating profit in absolute terms and Operating	£1,304,118	£54,118
	profit margin	9.7%	0.5%

Profitability has increased due to changes in customer contracts and the product mix.

Return on average capital employed	Operating profit divided by the average of the opening and closing Total assets less current liabilities	29.3%	1.4%
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The return on average capital employed has increased due to the improved results for 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	0.4%	0.3%
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The average monthly working capital position is positive.

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2020 (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 company monitors raw material sources for key inputs and negotiates forward purchase contracts where appropriate. Given the long-term uncertainties associated with the UK's exit from the European Union (EU), the company considered this to be a heightened risk and alternative supplies were identified for all EU inputs where possible and appropriate. Prior to the Brexit deal being agreed, the company also built up stock of all EU inputs in order to cover any potential supply issues during the first quarter of 2021. Further, during 2020, the company assembled a Brexit task force within the business to ensure understanding of and compliance with all regulatory changes. As sales to Europe make up approximately 2% of total sales, the company considers securing the raw material inputs to be the biggest risk in relation to the UK's exit from the EU.

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.

The current Coronavirus (Covid-19) pandemic continues to be fast-moving and presents major challenges for people and businesses worldwide. Whilst there continues to be uncertainty about the extent of the impact as well as the duration of the consequences of the outbreak, the recent approval and availability of vaccines has given hope that there is now light at the end of the tunnel. Given the company operates in the food industry, our key priority has been to ensure our production facility stays open to play our part in feeding the nation. However, the health and wellbeing of our people is paramount and therefore there has been, and continues to be, a risk that our production facility would need to close if it becomes unsafe or impractical to keep it open.

To mitigate this risk as far as possible, additional controls have been put in place, in addition to the company's already existing stringent hygiene and health and safety practises. Controls include:

- Amending production practises to enable employees to maintain a safe distance at work;
- Working closely with our suppliers to secure the right levels of raw materials and packaging inputs at the right time and amending production plans where necessary;
- Working closely with our customers to amend product ranges to include only core products that we can make safely;
- Mitigating any resource shortfalls with temporary labour;
- Protecting our vulnerable colleagues who need to be shielded at this time; and
- Following government advice and being prepared to respond quickly to evolving situations.

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

To date, there have not been any significant issues experienced within our production facility that we have not been able to overcome. Consumer demand is key to our sales levels and the social distancing required in retailers along with changes to consumer habits during the pandemic present a risk of lower levels of sales for the company. Whilst this was not our overall experience during 2020, should this result in our production facility having to close, we will protect our employees by taking advantage of any financial support such as the Job Retention Scheme introduced by the UK Government. The Board remains confident that the company's 2021 results will not be significantly impacted by Covid-19 although accepts that predicting this result is challenging in these fast-moving and unprecedented times.

We have a strong balance sheet and are supported by an even stronger parent company such that cash reserves and loan facilities are available should we need them, therefore the Board is satisfied that the company is able to continue to operate through the Pandemic.

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.

As with all businesses, climate change presents a risk to the business and as such we have an Environmental Policy which we adhere to, ensuring the business not only takes responsibility for its local and global environmental impact, but we also work closely with our customers, suppliers, partners and consumers to minimise this impact as much as possible. As a manufacturing business, we have targets to reduce our air, water and carbon emissions, to reduce our energy consumption and increase the share of renewable energy, to minimise food waste whilst improving recycling, to ensure our products are transported in a climate and energy efficient way, and to implement an internal training program to raise awareness. We also pledge to meet or exceed all environmental legislation relating to the business. These targets are reviewed regularly, and actions put in place to achieve each target are documented and tracked quarterly. Further, the business is covered by a climate change agreement for energy supplies and the company has met the targets required by this agreement over the last reporting period.

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.

Castle MacLellan Foods Limited

Strategic report for the year ended 31 December 2020 (continued)

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.

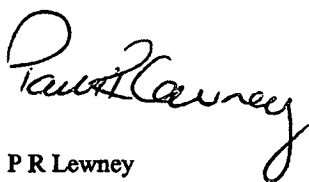
Liquidity risk

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 group which attract interest charges at margins of 2.5% and 0.75% above the UK base rate and LIBOR, respectively. It is therefore exposed to interest rate movements.

On behalf of the board



P R Lewney

Director

22 February 2021

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2020.

Company number

Registered number SC077607

Branches outside the UK

There are no branches outside the UK.

Dividends

No dividend was paid during the year (2019: £nil).

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 (to 22 February 2021)

K Hames (from 22 February 2021)

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2020 (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

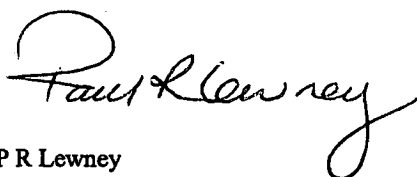
In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (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

22 February 2021

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 2020 and of its profit 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, which comprise: the Statement of financial position as at 31 December 2020; the Profit and loss account and Statement of changes in equity for the year then ended; the Statement of 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Castle MacLellan Foods Limited

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

Strategic report and Directors' report

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 2020 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.

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to unethical and prohibited business practices in the jurisdictions in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or increase the company's profits, and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular, customer rebates accruals.

Castle MacLellan Foods Limited

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

Auditors' responsibilities for the audit of the financial statements (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle
22 February 2021

Castle MacLellan Foods Limited

Profit and loss account for the year ended 31 December 2020

		2020	2019
	Note	£	£
Turnover	1	13,458,854	10,687,957
Net operating expenses	2	(12,154,736)	(10,633,839)
Operating profit		1,304,118	54,118
Interest receivable and similar income	4	183	4,998
Interest payable and similar expenses	5	(65,412)	(139,474)
Profit/(loss) before taxation		1,238,889	(80,358)
Tax on profit/(loss)	6	(269,990)	(9,439)
Profit/(loss) for the financial year		968,899	(89,797)

All of the operations of the company are continuing.

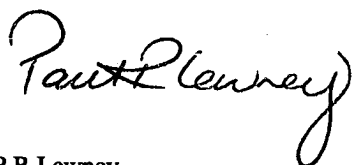
There are no income or expenditure items other than those included in the results above for the current financial year and the preceding financial year and therefore no separate statement of comprehensive income has been prepared.

Castle MacLellan Foods Limited

Statement of financial position as at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	7		3,812,177		4,211,893
Current assets					
Stocks	8	1,242,993		884,234	
Debtors	9	5,199,738		4,213,246	
Cash at bank and in hand		387		228	
		6,443,118		5,097,708	
Creditors: amounts falling due within one year	10	(5,985,582)		(4,663,027)	
Net current assets			457,536		434,681
Total assets less current liabilities			4,269,713		4,646,574
Creditors: amounts falling due after more than one year	11		(1,434,312)		(2,785,408)
Provisions for liabilities	12		(74,516)		(69,180)
Net assets			2,760,885		1,791,986
Capital and reserves					
Called up share capital	13		2,245,000		2,245,000
Capital redemption reserve			120,000		120,000
Profit and loss account			395,885		(573,014)
Total equity			2,760,885		1,791,986

The financial statements of Castle MacLellan Foods Limited, registered number SC077607, on pages 11 to 28 were approved by the board of directors on 22 February 2021 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 2020

	Called up share capital	Profit and loss account	Capital redemption reserve	Total equity
	£	£	£	£
Balance as at 1 January 2019	145,000	(483,217)	120,000	(218,217)
Loss for the financial year	-	(89,797)	-	(89,797)
Total comprehensive expense for the year	-	(89,797)	-	(89,797)
Share capital issue	2,100,000	-	-	2,100,000
Total transactions with owners, recognised directly in equity	2,100,000	-	-	2,100,000
Balance as at 31 December 2019	2,245,000	(573,014)	120,000	1,791,986
Balance as at 1 January 2020	2,245,000	(573,014)	120,000	1,791,986
Profit for the financial year	-	968,899	-	968,899
Total comprehensive income for the year	-	968,899	-	968,899
Balance as at 31 December 2020	2,245,000	395,885	120,000	2,760,885

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, as well as severe downside scenarios, show that the company should be able to operate within the level of its current facility. The facility provided by the ultimate parent, Kavli Holding A/S, has been secured for a period of at least twelve months from the date of signing the financial statements. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. This remains to be the case despite the risks posed by Covid-19 due to the company operating in the food industry and the additional controls put in place to ensure the company's production facility can remain safe and operational. Thus, the directors 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%

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 (2019: 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.

i) 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 8 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 2020

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:

	2020	2019
	£	£
United Kingdom	13,148,595	10,531,713
Europe	310,259	156,244
	13,458,854	10,687,957

2 Net operating expenses

Operating profit is stated after (crediting)/charging:

	2020	2019
	£	£
Change in stocks of finished goods and work in progress	(207,520)	6,526
Other operating income	(6,118)	(4,733)
Raw materials and consumables	5,599,065	4,492,681
Staff costs (note 3)	3,052,947	2,646,491
Depreciation charge for the year:		
Tangible fixed assets (note 7)	584,783	456,668
Impairment of fixed assets (note 7)	-	17,828
Amortisation of government grants (note 14)	(5,446)	(5,446)
Other operating charges	2,905,724	2,762,558
Hire of plant and machinery – operating leases	28,448	19,273
Hire of other assets – operating leases	6,008	7,846
Research and development costs	178,502	220,503
Auditors' remuneration:		
For the audit of the company's annual financial statements	16,330	8,700
Loss on sale of tangible fixed assets	2,013	4,944
Net operating expenses	12,154,736	10,633,839

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2020 (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 £292,666 (2019: £289,137) 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:

	2020	2019
	Number	Number
Production	108	84
Administration	9	9
	117	93

	2020	2019
	£	£
Staff costs during the year (including executive directors):		
Wages and salaries	2,680,802	2,320,387
Social security costs	228,952	203,185
Other pension costs (note 15)	143,193	122,919
	3,052,947	2,646,491

4 Interest receivable and similar income

	2020	2019
	£	£
Other financial income	183	4,998

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Interest payable and similar expenses

	2020	2019
	£	£
Bank interest payable	5,104	37,742
Interest payable to group companies	58,537	101,561
Other financial expenses	1,771	171
	65,412	139,474

6 Tax on profit/(loss)

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

	2020	2019
	£	£
Current tax:		
UK corporation tax on profit/(loss) for the year	264,653	(11,552)
Total current tax	264,653	(11,552)
Deferred tax:		
Origination and reversal of timing differences	(2,802)	23,460
Effects of changes in tax rates	8,139	(2,469)
Total deferred tax (note 12)	5,337	20,991
Tax on profit/(loss)	269,990	9,439

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

6 Tax on profit/(loss) (continued)

(b) Reconciliation of tax charge/(credit)

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%).

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

	2020	2019
	£	£
Profit/(loss) before taxation	1,238,889	(80,358)
Profit/(loss) before taxation multiplied by standard rate of tax in the UK of 19% (2019: 19%)	235,389	(15,268)
Effects of:		
Expenses not deductible for tax purposes	26,462	27,176
Tax rate changes	8,139	(2,469)
Total tax charge for the year	269,990	9,439

(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 included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. However, the Finance Bill 2020 reversed the planned reduction to 17% and therefore the main rate has and will remain at 19%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Tangible assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Assets under construction £	Total £
Cost					
At 1 January 2020	4,068,452	5,608,544	21,563	40,965	9,739,524
Additions	-	192,450	-	10,283	202,733
Disposals	-	(20,032)	-	(9,654)	(29,686)
At 31 December 2020	4,068,452	5,780,962	21,563	41,594	9,912,571
Accumulated depreciation					
At 1 January 2020	1,245,620	4,260,448	21,563	-	5,527,631
Charge for the year	144,027	440,756	-	-	584,783
Disposals	-	(12,020)	-	-	(12,020)
At 31 December 2020	1,389,647	4,689,184	21,563	-	6,100,394
Net book value					
At 31 December 2020	2,678,805	1,091,778	-	41,594	3,812,177
At 31 December 2019	2,822,832	1,348,096	-	40,965	4,211,893

8 Stocks

	2020 £	2019 £
Raw materials and consumables	731,582	515,298
Packaging	185,173	250,218
Work in progress	4,747	12,352
Finished goods and goods for resale	321,491	106,366
	1,242,993	884,234

Stocks are stated after provisions for impairment of £228,500 (2019: £269,600). 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 2020 (continued)

9 Debtors

	2020	2019
	£	£
Trade debtors	2,650,856	3,450,950
Amounts owed by group undertakings:		
- group cash pool arrangement	711,834	-
- trading balances	1,599,893	516,990
Other debtors	146,806	158,972
Prepayments and accrued income	90,349	86,334
	5,199,738	4,213,246

Trade debtors are stated after provisions for impairment of £111,231 (2019: £83,289).

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

10 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	1,359,153	1,006,538
Amounts owed to group undertakings:		
- group cash pool arrangement	-	864,356
- intercompany loan	300,150	300,150
- trading and other balances	2,858,273	1,149,953
Corporation tax	135,653	-
Other taxation and social security	106,602	91,615
Other creditors	91,876	136,365
Accruals	1,128,427	1,108,602
Deferred income (note 14)	5,448	5,448
	5,985,582	4,663,027

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 0.75% (2019: 0.75%) 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 2020 (continued)

11 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Amounts owed to group undertakings – intercompany loan	1,353,450	2,699,100
Deferred income (note 14)	80,862	86,308
	1,434,312	2,785,408

Amounts owed to group undertakings include an intra-group loan of £1,653,600 (2019: £2,999,250). This loan is unsecured and is due for repayment in equal instalments by 31 December 2026. The loan attracts interest charges at a margin of 2.5% above the UK Base Rate. The effective rate at 31 December 2020 was 2.6% (2019: 3.25%). The maturity of the loan is given below:

	2020	2019
	£	£
Repayable as follows		
Within one year	300,150	300,150
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	152,850	1,498,500
	1,653,600	2,999,250

12 Provisions for liabilities

	£
Deferred taxation	
At 1 January 2020	69,180
Profit and loss account charge for the year	5,337
Other timing differences	(1)
At 31 December 2020	74,516

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12 Provisions for liabilities (continued)

	2020	2019
	£	£
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	97,960	91,355
Short term timing differences	(23,444)	(22,175)
	74,516	69,180

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the year end date is £26,000 (2019: £17,136). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

13 Called up share capital

	2020	2019
	£	£
Allotted and fully paid		
2,245,000 (2019: 2,245,000) ordinary shares of £1 each	2,245,000	2,245,000

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 2020 (continued)

14 Deferred income

	2020	2019
	£	£
Government grants		
At 1 January	91,756	97,202
Amortisation in year	(5,446)	(5,446)
At 31 December	86,310	91,756
Within creditors amounts falling due within one year	5,448	5,448
Within creditors amounts falling due after more than one year	80,862	86,308
	86,310	91,756

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

15 Employee benefits

The company operates three funded defined contribution pension schemes. Contributions charged in the profit and loss account in the year totalled £143,193 (2019: £122,919).

At 31 December 2020 an accrual of £5,790 (2019: £2,361) was included in the statement of financial position in respect of pension payments.

16 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:

	2020	2019
	£	£
Expiring within one year	3,343	5,841
Expiring within two to five years	5,445	14,778
	8,788	20,619

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

17 Capital commitments

	2020	2019
	£	£
Capital expenditure contracted for but not provided in the financial statements	-	-

18 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.

19 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.

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.

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 UK Limited
Kingsway
Team Valley Trading Estate
Gateshead
Tyne and Wear
NE11 0ST