

COMPANIES HOUSE
2 5 AUG 2023
EDINBURGH MAILBOX

Registered number: SC077607

Castle MacLellan Foods Limited

Annual report

31 December 2022

FRIDAY



SCAMS7R6

SCT

25/08/2023

#33

COMPANIES HOUSE

Castle MacLellan Foods Limited

Company Information

Directors	K Hamnes P R Lewney
Company secretary	L Hayes
Registered number	SC077607
Registered office	Riverside Dee Walk Kirkcudbright Dumfries and Galloway DG6 4DR
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	DNB The Walbrook Building 25 Walbrook London EC4N 8AF
Solicitors	Square One Law LLP Fleming Business Centre Burdon Terrace Newcastle upon Tyne NE2 3AE

Castle MacLellan Foods Limited

Contents

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report to the members of Castle MacLellan Foods Limited	6 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 25

Castle MacLellan Foods Limited

Strategic report Year ended 31 December 2022

The directors present their strategic report on the company for the year ended 31 December 2022.

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 10, the company's turnover has increased by 22% against the prior year and the profit before taxation has increased from £1,749,071 in 2021 to £1,783,661 in 2022. The results have improved due to increased sales and an improved product mix. The balance sheet on page 11 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 2023. Details of amounts owed by and to its parent company are shown in notes 14 and 15.

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	2022	2021
Profitability	Operating profit in absolute terms and Operating profit margin	£1,813,475 10.7%	£1,758,849 12.6%

Profitability has increased due to increased sales and the improved product mix.

Return on average capital employed	Operating profit divided by the average of the opening and closing total assets less current liabilities	41.7%	41.1%
------------------------------------	--	-------	-------

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	4.6%	3.1%
---------------------------------	---	------	------

The average monthly working capital position is positive.

Castle MacLellan Foods Limited

Strategic report (continued) **Year ended 31 December 2022**

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, and 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. During 2022, like most other food manufacturing businesses, the company has experienced significant inflationary pressures in raw material, energy and logistics prices. Whilst the business has navigated these challenges because of its risk management policies, the longer term pricing pressures are expected to remain in the short term at least.

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. The policies applied by the company to manage these risks are set out below:

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.

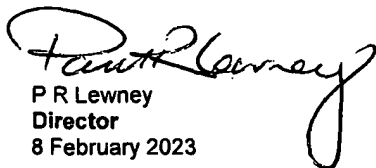
Interest rate cash flow risk

The company has both interest-bearing assets and liabilities. Interest-bearing assets and liabilities include cash balances and overdraft balances. The company has a policy of maintaining low levels of debt to reduce the volatility of future interest cash flows. The company is able to access a short-term overdraft from a member of the Kavli group which attracts interest charges at a margin of 0.75% above LIBOR. It is therefore exposed to interest rate movements.

Castle MacLellan Foods Limited

Strategic report (continued)
Year ended 31 December 2022

This report was approved by the board and signed on its behalf.


P R Lewney
Director
8 February 2023

Castle MacLellan Foods Limited

Directors' report Year ended 31 December 2022

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2022.

Dividends

A dividend of £1,378,928 was paid during the year (2021: £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 in page 2 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:

K Hamnes
P R Lewney

Castle MacLellan Foods Limited

Directors' report (continued) Year ended 31 December 2022

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

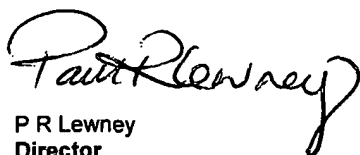
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will continue in office.

This report was approved by the board and signed on its behalf by:



P R Lewney
Director
8 February 2023



Independent auditor's report to the members of Castle MacLellan Foods Limited

Opinion

We have audited the financial statements of Castle MacLellan Foods Limited (the 'company') for the year ended 31 December 2022, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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



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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.



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

Auditor's 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 auditor's 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:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures in place regarding compliance with laws and regulations. We have communicated identified laws and throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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



**Independent auditor's report to the members of Castle MacLellan Foods Limited
(continued)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Morris FCCA FCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne**

8 February 2023

Castle MacLellan Foods Limited

Profit and loss account Year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	5	16,967,897	13,909,801
Net operating expenses	6	(15,154,422)	(12,150,952)
Operating profit		1,813,475	1,758,849
Interest receivable and similar income	8	880	450
Interest payable and similar expenses	9	(30,694)	(10,228)
Profit before taxation		1,783,661	1,749,071
Tax on profit	10	(361,472)	(370,143)
Profit for the financial year		1,422,189	1,378,928

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.

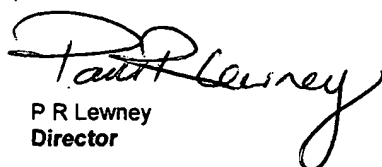
The notes on pages 13 to 25 form part of these financial statements.

Castle MacLellan Foods Limited

Balance sheet At 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	3,747,070	3,429,551
		<u>3,747,070</u>	<u>3,429,551</u>
Current assets			
Stocks	13	1,679,450	1,286,016
Debtors	14	6,543,434	4,072,821
Cash at bank and in hand		278	226
		<u>8,223,162</u>	<u>5,359,063</u>
Creditors: amounts falling due within one year	15	(7,573,909)	(4,493,277)
Net current assets		<u>649,253</u>	<u>865,786</u>
Total assets less current liabilities		<u>4,396,323</u>	<u>4,295,337</u>
Creditors: amounts falling due after more than one year	16	(71,231)	(76,048)
Provisions for liabilities			
Deferred tax	17	(142,018)	(79,476)
Net assets		<u><u>4,183,074</u></u>	<u><u>4,139,813</u></u>
Capital and reserves			
Called up share capital	18	2,245,000	2,245,000
Capital redemption reserve		120,000	120,000
Profit and loss account		1,818,074	1,774,813
Total equity		<u><u>4,183,074</u></u>	<u><u>4,139,813</u></u>

The financial statements of Castle MacLellan Foods Limited, registered number SC077607, on pages 10 to 25 were approved by the board of directors on 8 February 2023 and were signed on its behalf by:


P R Lewney
Director

Castle MacLellan Foods Limited

Statement of changes in equity Year ended 31 December 2022

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance as at 1 January 2021	2,245,000	120,000	395,885	2,760,885
Comprehensive income for the year				
Profit for the financial year	-	-	1,378,928	1,378,928
Total comprehensive income for the year	-	-	1,378,928	1,378,928
Balance as at 1 January 2022	2,245,000	120,000	1,774,813	4,139,813
Comprehensive income for the year				
Profit for the financial year	-	-	1,422,189	1,422,189
Total comprehensive income for the year	-	-	1,422,189	1,422,189
Dividends paid	-	-	(1,378,928)	(1,378,928)
Total transactions with owners, recognised directly in equity	-	-	(1,378,928)	(1,378,928)
Balance as at 31 December 2022	2,245,000	120,000	1,818,074	4,183,074

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

Notes to the financial statements Year ended 31 December 2022

1. General information

Castle MacLellan Foods Limited ('the company') is engaged in the manufacture and sale of food products to the retail food and food service industries in the United Kingdom.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in Scotland. The address of the registered office is Riverside, Dee Walk, Kirkcudbright, Dumfries and Galloway, DG6 4DR.

2. 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.

3. Basis of preparation

These company financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 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.

4. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Going concern

The company meets its working capital requirements through its operating cash flows and access to group cash pooling resources.

The directors and management have prepared financial forecasts which 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 have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on the going concern basis.

4.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemptions relating to certain financial instruments disclosures, disclosure of key management personnel compensation and the preparation of a cash flow statement. The consolidated financial statements of Kavli UK Limited include the equivalent financial instruments disclosures and a consolidated cash flow statement.

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.3 Foreign currency

The company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses are recognised in the profit and loss account.

4.4 Revenue

Turnover

Turnover comprises revenue recognised in respect of goods supplied during the year, net of VAT, returns and trade discounts. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer.

Interest income

Interest income is recognised on the accruals basis.

Government grants

Government grants are recognised on the accruals basis. Grants relating to assets are recognised in the profit and loss account over the expected life of the asset. Other grants are recognised in the profit and loss account over the period in which the related costs are recognised. Grant monies received but deferred to future periods are included on the balance sheet within deferred income.

4.5 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 one (2021: two) 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 balance sheet. The assets of the plan are held separately from the company in independently administered funds.

4.6 Research and development

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

4.7 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

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.8 Tax

Tax 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 is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods, and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing differences.

4.9 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Freehold buildings	2.5% straight-line
Plant and machinery	10% - 33.33% straight-line
Motor vehicles	33.33% - 50% straight-line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

4.10 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost includes all direct costs and, for manufactured stocks and work in progress, an appropriate proportion of fixed and variable overheads. Cost is determined using the first-in first-out (FIFO) method.

Provision is made as necessary for damaged, obsolete or slow-moving items.

4.11 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances, bank loans and loans to or from related parties, including fellow group companies.

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.11 Financial instruments (continued)

Debt instruments due within one year are measured, initially and subsequently at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

4.12 Critical judgements in applying accounting policies and key sources of estimation uncertainty

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.

Significant judgements in applying the company's accounting policies

In preparing these financial statements, the directors do not consider there to have been any significant judgements that were required in the process of applying the company's accounting policies.

Key sources of estimation uncertainty

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 13 for the net carrying amount of the inventory and associated provision.

4.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

5. 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:

	2022 £	2021 £
United Kingdom	16,847,298	13,690,577
Europe	120,599	219,224
	<u>16,967,897</u>	<u>13,909,801</u>

6. Net operating expenses

Operating profit is stated after charging/(crediting):

	2022 £	2021 £
Change in stocks of finished goods and work in progress	15,570	152,621
Other operating income	(23,200)	(40,596)
Raw materials and consumables	7,836,996	5,686,225
Staff costs (note 7)	3,231,834	2,764,828
Depreciation charge for the year:		
Tangible fixed assets (note 12)	443,031	467,758
Amortisation of government grants	(4,817)	(5,446)
Other operating charges	3,395,996	2,865,431
Hire of plant and machinery – operating leases	19,635	13,849
Hire of other assets – operating leases	5,459	3,466
Research and development costs	232,611	210,528
Auditors' remuneration	9,760	10,310
(Profit)/loss on sale of tangible fixed assets	(8,453)	21,978
Net operating expenses	<u>15,154,422</u>	<u>12,150,952</u>

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

7. 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 £269,401 (2021: £313,102) 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:

	2022 Number	2021 Number
Production	106	91
Administration	7	8
	<u>113</u>	<u>99</u>

	2022 £	2021 £
Staff costs during the year (including executive directors):		
Wages and salaries	2,833,755	2,416,975
Social security costs	253,994	211,907
Other pension costs (note 19)	144,085	135,946
	<u>3,231,834</u>	<u>2,764,828</u>

8. Interest receivable and similar income

	2022 £	2021 £
Bank interest receivable	630	-
Other financial income	250	450
	<u>880</u>	<u>450</u>

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

9. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	23,195	5,757
Interest payable to group companies	-	4,471
Other financial expenses	7,499	-
	<u>30,694</u>	<u>10,228</u>

10. Tax

(a) Tax expense included in profit and loss

	2022 £	2021 £
Current tax:		
UK corporation tax on profit for the year	298,930	365,183
Total current tax	<u>298,930</u>	<u>365,183</u>
Deferred tax:		
Origination and reversal of timing differences	47,532	(14,115)
Effects of changes in tax rates	15,010	19,075
Total deferred tax	<u>62,542</u>	<u>4,960</u>
Tax on profit	<u>361,472</u>	<u>370,143</u>

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

10. Tax (continued)

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%).

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

	2022 £	2021 £
Profit before tax	1,783,661	1,749,071
Profit before tax multiplied by standard rate of tax in the UK of 19% (2021: 19%)	338,896	332,323
Effects of:		
Expenses not deductible for tax purposes	31,172	27,191
Benefit of super deduction	(23,606)	(8,446)
Tax rate changes	15,010	19,075
Total tax charge for the year	361,472	370,143

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2021 leaving the main rate unchanged at 19% rising to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Dividends

	2022 £	2021 £
Dividends paid	1,378,928	-

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

12. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Assets under construction £	Total £
Cost					
At 1 January 2022	4,041,969	5,574,342	21,563	92,579	9,730,453
Additions	358,620	330,538	-	71,392	760,550
Disposals	-	(10,205)	-	-	(10,205)
Transfers	-	72,014	-	(72,014)	-
At 31 December 2022	4,400,589	5,966,689	21,563	91,957	10,480,798
Accumulated depreciation					
At 1 January 2022	1,530,702	4,748,637	21,563	-	6,300,902
Charge for the year	166,595	276,436	-	-	443,031
Disposals	-	(10,205)	-	-	(10,205)
At 31 December 2022	1,697,297	5,014,868	21,563	-	6,733,728
Net book value					
At 31 December 2022	2,703,292	951,821	-	91,957	3,747,070
At 31 December 2021	2,511,267	825,705	-	92,579	3,429,551

13. Stocks

	2022 £	2021 £
Raw materials and consumables	1,521,403	1,112,399
Work in progress	2,687	4,070
Finished goods and goods for resale	155,360	169,547
	<u>1,679,450</u>	<u>1,286,016</u>

Stocks are stated after provisions for impairment of £452,950 (2021: £280,100).

There is no difference between the carrying amount of inventory and replacement cost.

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

14. Debtors

	2022 £	2021 £
Trade debtors	4,109,073	3,571,984
Amounts owed by group undertakings:		
- trading balances	2,172,358	163,849
Other debtors	140,870	185,497
Prepayments and accrued income	121,133	151,491
	<u>6,543,434</u>	<u>4,072,821</u>

Trade debtors are stated after provisions for impairment of £87,008 (2021: £168,414).

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

15. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,858,876	1,272,568
Amounts owed to group undertakings:		
- group cash pool arrangement	862,916	1,139,524
- trading and other balances	3,693,270	615,268
Corporation tax	-	213,183
Other tax and social security	127,495	107,715
Other creditors	81,437	75,046
Accruals	945,099	1,065,157
Deferred income - government grant	4,816	4,816
	<u>7,573,909</u>	<u>4,493,277</u>

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% (2021: 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.

The government grants relate to grants awarded by the Scottish Government for the expansion of the Castle MacLellan Foods Limited factory in Kirkcudbright, Scotland. They are being released over the life of the assets acquired. If the group does not maintain approved headcount numbers, the group may be liable to repay certain government grants.

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

16. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Deferred income - government grant	<u>71,231</u>	<u>76,048</u>

17. Deferred tax

	2022 £
At beginning of year	79,476
Charged to profit or loss	62,542
At end of year	<u>142,018</u>

The provision for deferred tax is made up as follows:

	2022 £	2021 £
Capital allowances in excess of depreciation	182,945	114,379
Short term timing differences	(40,927)	(34,903)
	<u>142,018</u>	<u>79,476</u>

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the year end date is £7,652 (2021: £nil). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

18. Called up share capital

	2022 £	2021 £
Allotted, called up and fully paid		
2,245,000 (2021: 2,245,000) ordinary shares of £1 each	<u>2,245,000</u>	<u>2,245,000</u>

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 Year ended 31 December 2022

19. Employee benefits

The company operates one funded defined contribution pension scheme. Contributions charged in the profit and loss account in the year totalled £144,085 (2021: £135,946).

At 31 December 2022 an accrual of £5,334 (2021: £4,772) was included in the balance sheet in respect of pension payments.

20. Commitments under operating leases

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

	2022 £	2021 £
Expiring within one year	3,108	3,739
Expiring within two to five years	16,629	8,859
	<u>19,737</u>	<u>12,598</u>

21. Capital commitments

	2022 £	2021 £
Capital expenditure contracted for but not provided in the financial statements	<u>6,173</u>	<u>168,032</u>

22. 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.

Castle MacLellan Foods Limited

Notes to the financial statements Year ended 31 December 2022

23. 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