Kavli UK Limited

Annual report and financial statements

for the year ended 31 December 2017

Registered number 08485608

Kavli UK Limited

Annual report and financial statements

for the year ended 31 December 2017

Contents

Kavli UK Limited

Directors and advisers

Directors

P R Lewney	Managing director
E Volden	Chairman

Company secretary
L Hayes

Registered office
Kingsway
Team Valley Trading Estate
Gateshead
Tyne and Wear
NE11 0ST

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

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

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

Strategic report for the year ended 31 December 2017

The directors present their strategic report on the company and group for the year ended 31 December 2017.

Principal activities and business review
Kavli UK Limited is a wholly owned subsidiary of Kavli Holding A/S and operates as part of the Kavli Holding A/S group's (the Kavli Holding group) European division. 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. The objective of Kavli Holding A/S is to provide secure, long-term funding to the Kavli Trust so that it can continue to provide financial support to good causes. A proportion of the Kavli food group's profits are reinvested to strengthen and develop the group's operations, while the remainder is passed to the Kavli Trust to make charitable donations in line with its priorities and commitments, the key beneficiaries being humanitarian work and research as well as some cultural activities. All of the prior year profits after taxation of Kavli UK Limited are normally transferred to Kavli Holding A/S for the ultimate benefit of the Kavli Trust other than in years where there are specific cashflow requirements to grow the UK businesses.

The principal activities of the company and its subsidiaries are the manufacture and sale of 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 group's principal activities in the year under review. The directors are not aware, at the date of this report, of any other likely major changes in the group's activities in the next year.

As shown in the consolidated profit and loss account on page 10, the group's turnover has increased by 1% against the prior year although profit on ordinary activities before taxation has decreased to £1,881,626 (2016: £3,348,892). The group has experienced significantly higher input costs in the year that it has not been able to pass on to its customers.

The consolidated statement of financial position on page 12 of the financial statements shows that the group's financial position at the year end is, in net asset terms, lower than the prior year due to the dividend payment in the year being greater than the profit generated in the current year. The cash position, both cash in hand and amounts held within the group cash pool arrangement, have worsened given the increased dividend paid in 2017. Details of amounts owed by and to its parent company are shown in notes 12 and 13.

Strategic report for the year ended 31 December 2017 (continued)

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

Key performance Indicator	Definition	2017	2016
Profitability	Operating profit in absolute terms and Operating profit margin	£1,691,208 3.6%	£3,744,360 8.0%

Profitability has reduced due to increased input costs that we have been unable to pass on to our customers.

Return on average capital employed	Operating profit divided by the average of the opening and closing Total assets less current liabilities	6.1%	11.8%

Given the lower profitability along with reduced asset base following the dividend paid in the year, the return on capital employed has reduced.

Average monthly working capital	Average monthly short term assets less average short term liabilities (excluding cash, overdrafts & group balances) as percentage of turnover.	4.9%	3.8%

The average monthly working capital position has worsened slightly due to the extreme seasonality of the Christmas trading period.

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

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

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

Strategic report for the year ended 31 December 2017 (continued)

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

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

Financial risk management
The group'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 group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

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

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

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

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

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

Interest rate cash flow risk
The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at a variable rate. The group has a policy of maintaining low levels of debt to reduce the volatility of future interest cash flows. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature. The group does not have any third party loans and is not therefore exposed to interest rate movements. The company has a short term overdraft from its parent which attracts interest charges at a margin of 0.85% above LIBOR.

Strategic report for the year ended 31 December 2017 (continued)

Environment

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

On behalf of the board

P R Lewney
Director
6 February 2018

Directors' report for the year ended 31 December 2017

The directors present their annual report and the audited consolidated financial statements of the company and group for the year ended 31 December 2017.

Company number
Registered number 08485608

Branches outside the UK
There are no branches outside the UK.

Dividends
A final dividend of 24.57p per share (2016: 9.39p), amounting to £4,972,318 was paid during the year ended 31 December 2017 (2016: £1,900,146).

Research and development
The group 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 other likely major changes in the group'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 group's financial risk management objectives and its exposure to related risks are disclosed on page 4 of the Strategic report.

Disabled employees
The group continues to give full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities and offers appropriate training and career development for disabled staff. If members of staff become disabled, the group continues employment wherever possible and arranges retraining where appropriate.

Employee involvement
Kavli UK Limited and its subsidiaries hold regular meetings with employees to allow information sharing on matters of concern to employees, including the financial and economic factors that may affect the performance of the company. These meetings provide opportunities for employees to make their views known to management about matters affecting them so that there is a free flow of information and ideas. Employees participate in the success of the business through periodic incentive schemes.

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

Directors' report for the year ended 31 December 2017 (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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company 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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

On behalf of the board

P R Lewney
Director
6 February 2018

Independent auditors' report to the members of Kavli UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kavli UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2017; the consolidated profit and loss account and statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Kavli UK Limited (continued)

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

Strategic Report and Directors' Report

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 2017 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 group and company and their 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 set out on page 7, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Michael Jeffrey

Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
6 February 2018

Kavli UK Limited

Consolidated profit and loss account for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	1	**47,038,115**	46,764,037
Net operating expenses	2	**(45,346,907)**	(43,019,677)
Operating profit		**1,691,208**	3,744,360
Income from participating interests	10	**312,129**	-
Profit on ordinary activities before interest and taxation		**2,003,337**	3,744,360
Interest receivable and similar income	3	**47,102**	100,136
Interest payable and similar charges	4	**(175,813)**	(518,604)
Other finance income	6	**7,000**	23,000
Profit on ordinary activities before taxation		**1,881,626**	3,348,892
Tax on profit on ordinary activities	7	**(775,596)**	(1,176,574)
Profit for the financial year		**1,106,030**	2,172,318

All of the operations of the group are continuing.

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £	2016 £
Profit for the financial year		**1,106,030**	2,172,318
Other comprehensive income/(expenses):			
Remeasurements of net defined benefit obligation	6	**741,000**	(496,000)
Impact of restriction on recognisable surplus	6	**(964,000)**	473,000
Total tax on components of other comprehensive income	7	**37,910**	4,370
Other comprehensive expenses for the year, net of tax		**(185,090)**	(18,630)
Total comprehensive income for the year		920,940	2,153,688

Kavli UK Limited

Consolidated statement of financial position as at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	8		**12,944,943**		15,935,079
Tangible assets	9		**9,915,245**		9,498,663
Investments	10		**2,512,500**		2,512,500
			25,372,688		27,946,242
Current assets					
Stocks	11	**3,889,963**		4,051,634	
Debtors	12	**9,371,289**		10,694,776	
Cash at bank and in hand		**5,401**		7,099	
		13,266,653		14,753,509	
Creditors: amounts falling due within one year	13	**(14,140,771)**		(11,858,067)	
Net current (liabilities)/assets			**(874,118)**		2,895,442
Total assets less current liabilities			**24,498,570**		30,841,684
Creditors: amounts falling due after more than one year	14		**(98,605)**		(2,307,395)
Provisions for liabilities	15		**(183,545)**		(266,491)
Net assets			**24,216,420**		28,267,798
Capital and reserves					
Called up share capital	16		**20,234,886**		20,234,886
Revaluation reserve			**916,398**		916,398
Share premium account			**1,056,987**		1,056,987
Profit and loss account			**2,008,149**		6,059,527
Total equity			**24,216,420**		28,267,798

The financial statements on pages 10 to 46 were approved by the board of directors on 6 February 2018 and were signed on its behalf by:

P R Lewney
Director

Kavli UK Limited

Company statement of financial position as at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	8		**437,500**		1,187,500
Tangible assets	9		**1,134,973**		1,234,641
Investments	10		**29,496,883**		29,496,883
			31,069,356		31,919,024
Current assets					
Stocks	11	**-**		-	
Debtors	12	**2,117,398**		3,739,642	
Cash at bank and in hand		**-**		-	
		2,117,398		3,739,642	
Creditors: amounts falling due within one year	13	**(3,346,060)**		(3,125,643)	
Net current (liabilities)/assets			**(1,228,662)**		613,999
Total assets less current liabilities			**29,840,694**		32,533,023
Creditors: amounts falling due after more than one year	14		**-**		(2,198,335)
Provisions for liabilities	15		**-**		(4,972)
Net assets			**29,840,694**		30,329,716
Capital and reserves					
Called up share capital	16		**20,234,886**		20,234,886
Share premium account			**1,056,987**		1,056,987
Profit and loss account:					
At 1 January		**9,037,843**		6,797,492	
Profit for the financial year		**463,000**		392,157	
Net dividends (paid)/received		**(952,022)**		1,848,194	
			8,548,821		9,037,843
Total equity			**29,840,694**		30,329,716

The financial statements on pages 10 to 46 were approved by the board of directors on 6 February 2018 and were signed on its behalf by:

P R Lewney
Director

Kavli UK Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Note	Called-up share capital £	Profit and loss account £	Revaluation reserve £	Share premium account £	Total equity £
Balance as at 1 January 2016		20,234,886	5,805,985	916,398	1,056,987	28,014,256
Profit for the financial year		-	2,172,318	-	-	2,172,318
Other comprehensive expense for the year		-	(18,630)	-	-	(18,630)
Total comprehensive income for the year		-	2,153,688	-	-	2,153,688
Dividends	17	-	(1,900,146)	-	-	(1,900,146)
Total transactions with owners, recognised directly in equity		-	(1,900,146)	-	-	(1,900,146)
Balance as at 31 December 2016		20,234,886	6,059,527	916,398	1,056,987	28,267,798
Balance as at 1 January 2017		**20,234,886**	**6,059,527**	**916,398**	**1,056,987**	**28,267,798**
Profit for the financial year		-	1,106,030	-	-	1,106,030
Other comprehensive expense for the year		-	(185,090)	-	-	(185,090)
Total comprehensive income for the year		-	920,940	-	-	920,940
Dividends	17	-	(4,972,318)	-	-	(4,972,318)
Total transactions with owners, recognised directly in equity		-	(4,972,318)	-	-	(4,972,318)
Balance as at 31 December 2017		**20,234,886**	**2,008,149**	**916,398**	**1,056,987**	**24,216,420**

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

Pre-1998 goodwill: The cumulative amount of goodwill resulting from acquisitions which has been written off to the profit and loss account is £1,094,873 (2016: £1,094,873).

The revaluation reserve represents the effect of the revaluation of freehold land and buildings in November 1988 (see note 9).

The share premium account represents the premium paid over the face value of the ordinary shares issued.

Kavli UK Limited

Company statement of changes in equity for the year ended 31 December 2017

	Note	Called-up share capital £	Profit and loss account £	Share premium account £	Total equity £
Balance as at 1 January 2016		20,234,886	6,797,492	1,056,987	28,089,365
Profit for the financial year		-	392,157	-	392,157
Total comprehensive income for the year		-	392,157	-	392,157
Dividends received		-	3,748,340	-	3,748,340
Dividends paid	17	-	(1,900,146)	-	(1,900,146)
Total transactions with owners, recognised directly in equity		-	1,848,194	-	1,848,194
Balance as at 31 December 2016		20,234,886	9,037,843	1,056,987	30,329,716
Balance as at 1 January 2017		**20,234,886**	**9,037,843**	**1,056,987**	**30,329,716**
Profit for the financial year		-	463,000	-	463,000
Total comprehensive income for the year		-	463,000	-	463,000
Dividends received		-	4,020,296	-	4,020,296
Dividends paid	17	-	(4,972,318)	-	(4,972,318)
Total transactions with owners, recognised directly in equity		-	(952,022)	-	(952,022)
Balance as at 31 December 2017		**20,234,886**	**8,548,821**	**1,056,987**	**29,840,694**

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

The share premium account represents the premium paid over the face value of the ordinary shares issued.

Kavli UK Limited

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Net cash inflow from operating activities	18	**9,376,412**		7,031,898	
Taxation paid		**(933,374)**		(1,265,149)	
Net cash generated from operating activities			**8,443,038**		5,766,749
Cash flow from investing activities					
Purchase of tangible assets		**(1,487,920)**		(1,442,142)	
Proceeds from disposals of tangible assets		**1,250**		22,750	
Interest received		**47,102**		100,136	
Dividends received from participating interest		**312,129**		-	
Net cash used in investing activities			**(1,127,439)**		(1,319,256)
Cash flow from financing activities					
Repayment of loan obligations		**(2,000,000)**		(2,000,000)	
Dividends paid		**(4,972,318)**		(1,900,146)	
Interest paid		**(344,979)**		(547,769)	
Net cash used in financing activities			**(7,317,297)**		(4,447,915)
Net decrease in cash and cash equivalents			**(1,698)**		(422)
Cash and cash equivalents at the beginning of the year			**7,099**		7,521
Cash and cash equivalents at the end of the year	18		**5,401**		7,099
Cash and cash equivalents consisting:					
Cash at bank and in hand			**5,401**		7,099
Cash and cash equivalents at the end of the year	18		**5,401**		7,099

Statement of accounting policies

General information
Kavli UK Limited is a private company limited by shares and is incorporated and domiciled in England. The registered office is Kingsway, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0ST.

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

Statement of compliance
The group and 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 consolidated and company financial statements are set out below. These policies have been applied consistently in the current and prior year, unless otherwise stated.

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

Basis of preparation
These consolidated and 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 group and 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 group'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 group; its financial risk management objectives; and its exposure to credit risk and liquidity risk. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation
The consolidated financial statements include the results of the company and its subsidiary undertakings as at 31 December 2017. The results of the subsidiaries are included in the consolidated profit and loss account from the date control passed. Intra-group transactions and balances are eliminated fully on consolidation. Uniform accounting policies are adopted across the group.

Statement of accounting policies (continued)

Basis of consolidation (continued)
On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes of those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post-acquisition profit and loss account.

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 these financial statements, includes the company's cash flows;

(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 (or deemed cost) less accumulated depreciation and impairment losses. Cost, other than in relation to certain land and buildings, 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 and long leasehold property. Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and impairment losses.

Long leasehold property was the subject of a professional revaluation as at 30 November 1988 and is stated at this amount, less accumulated depreciation and impairment. The company has adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use the previous revaluation as deemed cost at the date of transition.

Depreciation is calculated so as to write off the cost, or valuation, of fixed assets less their estimated residual values, on a straight line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings	2.5% - 5%
Plant and machinery	10% - 33.33%
Motor vehicles	20% - 33.33%

Freehold land is not depreciated. Leasehold land is depreciated over the term of the lease.

Statement of accounting policies (continued)

Intangible assets
Intangible assets i.e. acquired brands and trademarks, are stated at cost less accumulated amortisation and accumulated impairment losses. Trademarks are amortised over their estimated useful life of 5 years on a straight line basis.

The assets are reviewed for impairment if there are changes that indicate that the carrying amount may be impaired. Costs of intangible assets previously recognised as an expense are not recognised as an asset in subsequent periods.

Business combinations and goodwill
Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amounts where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life of 10 years. Goodwill has arisen from the acquisition of the entire issued share capital of St Helen's Farm Limited. The business appraisal undertaken at the time of the acquisition delivered a positive net present value in excess of 10 years which is not unusual given one of the group's core values is long-term thinking. The St Helen's Farm brand has been in existence since 1986 and has been the brand leader for a number of years with a loyal customer base, high barriers to market entry and therefore a 10 year expected useful life appears reasonable.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Fixed asset investments
Investment in a subsidiary company is held at cost less accumulated impairment losses. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Investments where no control, joint control or significant influence are held i.e other investments, are measured at fair value with movements going through profit and loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Statement of accounting policies (continued)

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.

Finance costs
Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

Foreign currencies/exchange
The group and 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 and intercompany sales, 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.

Statement of accounting policies (continued)

Employee benefits
The group provides a range of benefits to employees, including paid holiday arrangements and defined benefit 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 group operates ten (2016: nine) defined contribution plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group 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 group in independently administered funds.

Defined benefit pension plan
The group operates a defined benefit pension scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. The defined benefit obligation is calculated using the projected unit credit method every three years by a professional qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates, and updates these as necessary. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss account as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit or loss account as a 'finance expense'.

Statement of accounting policies (continued)

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

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.

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.

Dilapidations provisions

Funds received from tenants in relation to dilapidations for major repair and maintenance costs on termination of property leases are treated as provisions which are then credited to the profit and loss account in line with the costs to which they relate.

Incoming resources from non-exchange transactions

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

Financial instruments

The Group 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.

Financial instruments (continued)

Financial assets (continued)

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.

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 group 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.

Statement of accounting policies (continued)

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.

Control of Yorkshire Dairy Goats ('YDG').

Assessing whether the group controls YDG required judgement. The group holds only 24% of the voting rights but the remaining 76% is owned by one single party. Given that the operating and financial management of YDG is undertaken by the majority shareholder, the group considers that the group does not control YDG.

Critical accounting estimates and assumptions

The group 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) Impairment of intangible assets and goodwill (note 8)

The group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating unit (CGUs). This requires estimation of the future cashflows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property, plant and machinery and above for the useful economic lives for each class of assets.

iii) Inventory provisioning

The group 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 11 for the net carrying amount of the inventory and associated provision.

iv) Defined benefit pension scheme

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 6 for the disclosures relating to the defined benefit scheme.

Notes to the financial statements for the year ended 31 December 2017

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:

	2017	2016
	£	£
United Kingdom	**45,867,891**	45,600,703
Europe	**1,170,224**	1,163,334
	47,038,115	46,764,037

2 Net operating expenses

Operating profit is stated after (crediting)/charging:

	2017	2016
	£	£
Change in stocks of finished goods and in work in progress	**(21,494)**	14,367
Raw materials and consumables	**23,641,142**	21,962,565
Staff costs (note 5)	**8,454,664**	7,949,504
Other operating income	**(101,321)**	(63,633)
Depreciation charge for the year:		
Tangible fixed assets – owned (note 9)	**1,068,650**	1,140,286
Amortisation of intangibles (note 8)	**750,000**	750,000
Amortisation of goodwill (note 8)	**2,240,136**	2,240,135
Amortisation of government grants (note 19)	**(48,558)**	(97,933)
Other operating charges	**8,873,172**	8,751,533
Operating leases	**180,092**	126,285
Research and development costs	**276,644**	237,668
Auditors' remuneration:		
For the audit of the company's annual financial statements	**5,800**	5,800
For the audit of the subsidiary company's annual financial statements	**25,850**	25,850
Loss/(profit) on sale of tangible fixed assets	**2,130**	(22,750)
	45,346,907	43,019,677

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Interest receivable and similar income

	2017	2016
	£	£
Other financial income	**47,102**	100,136

4 Interest payable and similar charges

	2017	2016
	£	£
Bank interest payable	**17,951**	12,250
Other interest payable	**110,834**	180,835
Other financial expenses payable to group companies	**-**	325,404
Other financial expenses	**47,028**	115
	175,813	518,604

Notes to the financial statements for the year ended 31 December 2017 (continued)

5 Information regarding directors and employees

The directors of Kavli UK Limited are also directors of Kavli UK Limited's subsidiaries. The directors received total emoluments during the year as described below from Kavli UK Limited and its subsidiaries, but it is not practical to allocate this between their services as executives of Kavli UK Limited and their services as directors of its subsidiaries.

	2017	2016
	£	£
Directors' remuneration		
Aggregate emoluments (including benefits in kind)	**248,682**	264,320
Payments to personal pension plan	**-**	20,000
	248,682	284,320

Fees and other emoluments include amounts paid to:

	2017	2016
	£	£
The highest-paid director		
Aggregate emoluments and benefits	**248,682**	264,320
Payments to personal pension plan	**-**	20,000
	248,682	284,320

As at 31 December 2017, retirement benefits were accruing to no (2016: one) directors under a personal pension plan to which the company has contributed in the year.

Notes to the financial statements for the year ended 31 December 2017 (continued)

5 Information regarding directors and employees (continued)

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

	2017	2016
	Number	Number
Group		
Production	**231**	232
Sales and marketing	**14**	13
Administration	**28**	28
	273	273

	2017	2016
	Number	Number
Company		
Production	**1**	1
Sales and marketing	**9**	8
Administration	**20**	19
	30	28

Key management compensation:

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below.

	2017	2016
	£	£
Aggregate emoluments (including benefits in kind)	**786,676**	781,059
Post-employment benefits	**24,790**	77,404
	811,466	858,463

Notes to the financial statements for the year ended 31 December 2017 (continued)

5 Information regarding directors and employees (continued)

	2017	2016
	£	£
Group		
Staff costs during the year (including executive directors):		
Wages and salaries	**7,268,539**	6,805,880
Social security costs	**713,053**	657,012
Other pension costs (note 6)	**473,072**	486,612
	8,454,664	7,949,504

	2017	2016
	£	£
Company		
Staff costs during the year (including executive directors):		
Wages and salaries	**1,491,163**	1,320,918
Social security costs	**182,337**	173,863
Other pension costs	**110,587**	150,051
	1,784,087	1,644,832

6 Employee benefits

Pension arrangements
A subsidiary company operates a funded defined benefit pension scheme and the parent company and three subsidiary companies operate a total of ten funded defined contribution pension schemes. The assets of the schemes are held in separate trustee-administered funds.

The defined benefit pension scheme provides retirement benefits on the basis of members' final salary. On 1 June 1999 the defined benefit pension scheme was closed to new entrants and on 1 May 2007, this scheme was closed to future accrual. One of the defined contribution pension schemes was established on closure of the defined benefit pension scheme to provide benefits to new employees.

Contributions charged in the profit and loss account in the year in respect of the defined contribution schemes totalled £473,072 (2016: £486,612). At 31 December 2017, an accrual of £4,251 (2016: £3,660) was included in the statement of financial position in respect of pension payments owed to the defined contribution schemes.

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Employee benefits (continued)

Defined benefit scheme

The latest full actuarial valuation of the Primula Limited Pension and Assurance Scheme ("The Primula Defined Benefit Scheme"), using the projected unit method, was undertaken as at 1 May 2017.

The 2017 valuation was updated to 31 December 2017 by the defined benefit scheme's qualified actuary. The major assumptions used in the updated valuation were:

	2017	2016
Rate of increase in salaries	**0.00%**	0.00%
Rate of increase in pensions in payment	**3.55%**	3.60%
Discount rate	**2.40%**	2.60%
Inflation assumption - RPI	**3.55%**	3.60%
Inflation assumption - CPI	**2.55%**	2.60%

The mortality assumptions used were as follows:

	2017	2016
	Years	Years
Longevity at age 65 for current pensioners		
- Men	**22.2**	22.4
- Women	**24.1**	24.4
Longevity at age 65 for future pensioners		
- Men	**23.9**	24.5
- Women	**25.9**	26.7

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Employee benefits (continued)

Reconciliation of scheme assets and liabilities:

	Fair value of plan assets	Defined benefit obligation	Benefit surplus
	£	£	£
At 1 January 2017	9,967,000	(9,797,000)	170,000
Expenses	(19,000)	19,000	-
Net interest	258,000	(251,000)	7,000
Included in profit and loss account	**239,000**	**(232,000)**	**7,000**
Benefits paid	(261,000)	261,000	-
Return on plan assets excluding amounts included in net interest expense	939,000	-	939,000
Actuarial changes:			
- arising from changes in demographic assumptions	-	261,000	261,000
- arising from changes in economic assumptions	-	(422,000)	(422,000)
Experience adjustments	-	(37,000)	(37,000)
Included in statement of comprehensive income	**678,000**	**63,000**	**741,000**
Contributions by employer	216,000	-	216,000
At 31 December 2017	**11,100,000**	**(9,966,000)**	**1,134,000**

The average duration of the defined benefit obligation at the end of the reporting period is approximately 20 years (2016: 21 years).

Surplus restriction:

	2017	2016
	£	£
At 1 January	**170,000**	643,000
Increase/(decrease) in year included in statement of comprehensive income	**964,000**	(473,000)
At 31 December	**1,134,000**	170,000

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Employee benefits (continued)

Analysis of the amount included in the profit on ordinary activities before taxation is:

	2017	2016
	£	£
Net interest on scheme assets	**7,000**	23,000

Fair value of plan assets:

	2017	2016
	£	£
Equities	**6,157,000**	6,295,000
Bonds	**3,299,000**	2,350,000
Gilts	**1,643,000**	1,321,000
Cash	**1,000**	1,000
Total fair value of assets	**11,100,000**	9,967,000

Scheme assets do not include any of Primula Limited's own financial instruments, or any property occupied by Primula Limited.

Return on plan assets:

	2017	2016
	£	£
Interest income	**258,000**	309,000
Return on plan assets less interest income	**939,000**	1,283,000
Total return on plan assets	**1,197,000**	1,592,000

The full actuarial valuation at 30 April 2017 showed a deficit of £216,000. The employer, Primula Limited, made a contribution to the pension scheme of £216,000 in December 2017 to eliminate this deficit.

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Tax on profit on ordinary activities

(a) Tax expense included in profit or loss

	2017	2016
	£	£
Current tax:		
UK corporation tax on profits for the year	**714,166**	1,144,202
Adjustments in respect of prior years	**1,355**	(5,678)
Total current tax	**715,521**	1,138,524
Deferred tax:		
Origination and reversal of timing differences	**87,248**	33,351
Effects of changes in tax rates	**(27,173)**	(8,723)
Adjustments in respect of prior years	**-**	13,422
Total deferred tax (note 15)	**60,075**	38,050
Tax on profit on ordinary activities	**775,596**	1,176,574

(b) Tax amounts included in other comprehensive income

	2017	2016
	£	£
Deferred tax current year credit (note 15)	**37,910**	4,370

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Tax on profit on ordinary activities (continued)

(c) Reconciliation of tax charge

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

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

	2017	2016
	£	£
Profit on ordinary activities before taxation	**1,881,626**	3,348,892
Profit multiplied by standard rate of tax in the UK of 19.25% (2016: 20%)	**362,149**	669,778
Effects of:		
Expenses not deductible for tax purposes	**440,144**	507,774
Changes in tax rates or laws	**(27,173)**	(8,722)
Adjustments in respect of prior years – current tax	**476**	(5,678)
Adjustments in respect of prior years – deferred tax	**-**	13,422
Total tax charge for the year	**775,596**	1,176,574

(d) Tax rate changes

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

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Tax on profit on ordinary activities (continued)

Deferred taxation relating to pension surplus
An analysis of the deferred taxation balance relating to the pension surplus is as follows:

	2017	2016
	£	£
Group		
At 1 January	-	-
Deferred tax charge in the profit and loss account	(37,910)	(4,370)
Deferred tax credit in other comprehensive income	37,910	4,370
At 31 December	-	-

8 Intangible assets

	Company	Group	Group
	Intellectual property rights	Goodwill	Total
	£	£	£
Cost			
At 1 January and 31 December 2017	3,750,000	22,401,379	26,151,379
Accumulated amortisation			
At 1 January 2017	2,562,500	7,653,800	10,216,300
Charge for year	750,000	2,240,136	2,990,136
At 31 December 2017	3,312,500	9,893,936	13,206,436
Net book value			
At 31 December 2017	437,500	12,507,443	12,944,943
At 31 December 2016	1,187,500	14,747,579	15,935,079

Notes to the financial statements for the year ended 31 December 2017 (continued)

9 Tangible assets

Group

	Land and buildings	Plant and machinery	Motor vehicles	Assets under construction	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2017	9,246,690	16,660,298	427,373	-	26,334,361
Additions	82,482	592,341	-	813,789	1,488,612
Disposals	-	(137,867)	-	-	(137,867)
At 31 December 2017	**9,329,172**	**17,114,772**	**427,373**	**813,789**	**27,685,106**
Accumulated					
At 1 January 2017	3,436,229	13,026,454	373,015	-	16,835,698
Charge for the year	309,174	726,861	32,615	-	1,068,650
Disposals	-	(134,487)	-	-	(134,487)
At 31 December 2017	**3,745,403**	**13,618,828**	**405,630**	-	**17,769,861**
Net book value					
At 31 December 2017	**5,583,769**	**3,495,944**	**21,743**	**813,789**	**9,915,245**
At 31 December 2016	5,810,461	3,633,844	54,358	-	9,498,663
Cost or valuation at 31 December 2017 is represented by:					
Valuation	1,800,000	-	-	-	1,800,000
Cost	7,529,172	17,114,772	427,373	813,789	25,885,106
	9,329,172	**17,114,772**	**427,373**	**813,789**	**27,685,106**

Land and buildings at net book value comprise:

	2017	2016
	£	£
Freeholds	**4,293,976**	4,454,019
Long leaseholds	**1,289,793**	1,356,442
	5,583,769	5,810,461

Notes to the financial statements for the year ended 31 December 2017 (continued)

9 Tangible assets (continued)

Company	Land and buildings	Motor vehicles	Total
	£	£	£
Cost or valuation			
At 1 January 2017 and 31 December 2017	**1,341,075**	**65,230**	**1,406,305**
Accumulated depreciation			
At 1 January 2017	160,792	10,872	171,664
Charge for the year	67,053	32,615	99,668
At 31 December 2017	**227,845**	**43,487**	**271,332**
Net book value			
At 31 December 2017	**1,113,230**	**21,743**	**1,134,973**
At 31 December 2016	1,180,283	54,358	1,234,641

All the company's tangible assets are held at historical cost.

Land and buildings at net book value comprise:

	2017	2016
	£	£
Freeholds	**1,113,230**	1,180,283

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Investments

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Cost and net book value				
Subsidiary undertakings	**-**	-	**29,496,883**	29,496,883
Other investments	**2,512,500**	2,512,500	**-**	-
Total investments	**2,512,500**	2,512,500	**29,496,883**	29,496,883

Principal Group investments
The Company and the Group have investments in the following subsidiary undertakings and other investments which principally affected the profits or net assets of the Group.

Subsidiary undertakings	Country of incorporation	Registered number	Registered address	Principal activity	Holding	%
Primula Limited (direct)	England	00314886	Kingsway, TVTE, Gateshead, NE11 0ST	Manufacture and sale of cheese and other food products	Ordinary £5.50 shares	100%
Castle MacLellan Foods Limited (direct)	Scotland	SC077607	Riverside, Dee Walk, Kirkcudbright, DG6 4DR	Manufacture and sale of pâte	Ordinary £1 shares	100%
St Helen's Farm Limited (direct)	England	06240035	Kingsway, TVTE, Gateshead, NE11 0ST	Manufacture and sale of dairy products	Ordinary £0.01 shares	100%
Kavli Investments Limited (direct)	England	08486555	Kingsway, TVTE, Gateshead, NE11 0ST	Investment company	Ordinary £1 shares	100%
Yorkshire Dairy Goats	England	02809573	The Farm Office, Seaton Ross, York, YO42 4NP	Goat farming	Ordinary £0.01 shares	24%

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Investments (continued)

During the year, Kavli Investments Limited received dividends of £312,129 from Yorkshire Dairy Goats (2016: £nil).

Kavli Investments Limited has taken advantage of the exemption from audit under S479A of the Companies Act 2006. Accordingly, as parent undertaking, Kavli UK Limited has consented to the exemption and in accordance with S479C of the Companies Act 2006, has guaranteed all outstanding liabilities of Kavli Investments Limited as at 31 December 2017 until they are satisfied in full.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary undertakings

	£
Cost	
At 1 January 2017 and 31 December 2017	29,496,883
Provisions for impairment	
At 1 January 2017 and 31 December 2017	-
Net book value	
At 1 January 2017 and 31 December 2017	**29,496,883**

All subsidiary companies are included in these consolidated financial statements.

11 Stocks

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Raw materials	**1,420,920**	1,581,917	-	-
Packaging materials	**430,846**	453,014	-	-
Work in progress	**63,232**	110,320	-	-
Finished goods and goods for resale	**1,974,965**	1,906,383	-	-
	3,889,963	4,051,634	-	-

Stocks are stated after provisions for impairment of £515,493 (2016: £530,850). There is no difference between the carrying amount of inventory and the replacement cost.

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Amounts falling due after one year:				
Amounts owed by group undertakings	-	-	**777,400**	860,550
Amounts falling due within one year:				
Trade debtors	**8,623,519**	8,190,080	**7,866**	5,658
Amounts owed by group undertakings				
- group cash pool arrangement	-	1,692,343	**870,309**	1,597,538
- trading balances	**33,432**	8,598	**424,357**	1,241,332
Deferred tax asset (note 15)	-	-	**1,343**	-
Other debtors	**434,090**	457,793	-	400
Prepayments and accrued income	**280,248**	345,962	**36,123**	34,164
Total falling due within one year	**9,371,289**	10,694,776	**1,339,998**	2,879,092
Total	**9,371,289**	10,694,776	**2,117,398**	3,739,642

Amounts owed by group undertakings within Company debtors includes an intra-group loan of £848,050 (2016: £918,700). This loan is unsecured and is due for repayment in equal instalments by 31 December 2029. The loan attracts interest charges at a margin of 2.5% above the UK Base Rate. The effective rate at 31 December 2017 was 3.0% (2016: 2.75%).

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

Trade debtors are stated after provisions for impairment of £357,469 (2016: £268,502).

Notes to the financial statements for the year ended 31 December 2017 (continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade creditors	**4,639,257**	4,235,453	**28,465**	7,817
Amounts owed to group undertakings				
- group cash pool arrangement	**3,006,053**	-	**-**	-
- trading balances	**56,093**	303,465	**335,385**	306,948
Corporation tax	**286,123**	503,925	**73,355**	8,584
Other taxation and social security	**369,679**	374,720	**178,292**	192,432
Other creditors	**737,356**	550,234	**524,854**	381,724
Deferred cash consideration	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Accruals	**3,035,759**	3,845,923	**205,709**	228,138
Deferred income (note 19)	**10,451**	44,347	**-**	-
	14,140,771	11,858,067	**3,346,060**	3,125,643

Any bank overdraft arising during the year as part of the group cash pool arrangement is secured by a guarantee given by Kavli Holding A/S and attracts an interest rate of 0.85% (2016: 0.85%) above LIBOR. All amounts owed to group undertakings are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Deferred cash consideration	**-**	2,198,335	**-**	2,198,335
Deferred income (note 19)	**98,605**	109,060	**-**	-
	98,605	2,307,395	**-**	2,198,335

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Provisions for liabilities

	Dilapidations provision	Deferred taxation	Total
	£	£	£
Group			
At 1 January 2017	105,111	161,380	266,491
Deferred tax in reserves in the year	-	(37,910)	(37,910)
Profit and loss account	(105,111)	60,075	(45,036)
At 31 December 2017	**-**	**183,545**	**183,545**
Company			
At 1 January 2017	-	4,972	4,972
Profit and loss account	-	(6,315)	(6,315)
At 31 December 2017	**-**	**(1,343)**	**(1,343)**

The dilapidations provision was made in 2007 and related to the anticipated cost of repairs to buildings, which the company expected to carry out. Some remedial works were undertaken in 2009, 2010 and 2014. No further work is now expected and so the provision has been released.

	2017	2016
	£	£
Group		
Tax effect of timing differences because of:		
Capital allowances in excess of depreciation	**260,256**	245,766
Short term timing differences	**(76,711)**	(84,386)
	183,545	161,380

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the statement of financial position date is £94,000 (2016: £26,000). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Provisions for liabilities (continued)

	2017	2016
	£	£
Company		
Tax effect of timing differences because of:		
Capital allowances in excess of depreciation	**(1,326)**	4,972
Short term timing differences	**(17)**	-
	(1,343)	4,972

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the statement of financial position date is £nil (2016: credit of £8,000). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

16 Called up share capital

Group and company	2017	2016
	£	£
Authorised		
20,234,886 (2016: 20,234,886) ordinary shares of £1 each	**20,234,886**	20,234,886
Allotted and fully paid		
20,234,886 (2016: 20,234,886) ordinary shares of £1 each	**20,234,886**	20,234,886

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

17 Dividends

	2017	2016
	£	£
Ordinary:		
Final dividend of 24.57 pence per share (2016: 9.39 pence per share)	**4,972,318**	1,900,146

Notes to the financial statements for the year ended 31 December 2017 (continued)

18 Notes to the cash flow statement

	2017	2016
	£	£
Profit for the financial year	**1,106,030**	2,172,318
Tax on profit on ordinary activities	**775,596**	1,176,574
Net interest expense	**121,711**	395,468
Income from participating interest	**(312,129)**	-
Operating profit	**1,691,208**	3,744,360
Amortisation of intangible assets	**2,990,136**	2,990,135
Depreciation of tangible assets	**1,068,650**	1,140,286
Loss/(profit) on disposal of tangible assets	**2,130**	(22,750)
Contributions to defined benefit pension scheme	**(216,000)**	-
Working capital movements:		
- Decrease/(increase) in stocks	**161,671**	(301,382)
- Decrease in debtors	**1,323,486**	557,219
- Increase/(decrease) in payables	**2,504,592**	(1,007,163)
- Decrease in deferred income	**(44,351)**	(68,807)
- Decrease in provisions	**(105,111)**	-
Cash flow from operating activities	**9,376,412**	7,031,898

Analysis of changes in net debt

	At 1 January 2017	Cash flow	Other non-cash changes	**At 31 December 2017**
	£	£	£	**£**
Cash at bank and in hand	7,099	(1,698)	-	**5,401**
Less: bank overdraft	-	-	-	-
Cash and cash equivalents	**7,099**	**(1,698)**	-	**5,401**
Interest-bearing debt due in one year	(2,000,000)	-	-	**(2,000,000)**
Interest-bearing debt due after one year	(2,000,000)	2,000,000	-	-
Net debt	**(3,992,901)**	**1,998,302**	-	**(1,994,599)**

Notes to the financial statements for the year ended 31 December 2017 (continued)

19 Deferred income

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Government grants				
At 1 January	**153,407**	222,214	-	-
Grants received in the year	**4,207**	29,126	-	-
Amortisation in year	**(48,558)**	(97,933)	-	-
At 31 December	**109,056**	153,407	-	-
Within creditors amounts falling due within one year	**10,451**	44,347	-	-
Within creditors amounts falling due after more than one year	**98,605**	109,060	-	-
	109,056	153,407	-	-

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

20 Financial commitments

At 31 December the group and company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Expiring in less than one year	**29,513**	54,084	**1,012**	10,288
Expiring between one and five years	**89,153**	62,139	**32,856**	12,044
	118,666	116,223	**33,868**	22,332

Notes to the financial statements for the year ended 31 December 2017 (continued)

21 Capital commitments

	2017	2016
	£	£
Group:		
Capital expenditure contracted for but not provided in the financial statements	**853,830**	248,792

22 Related party transactions

Group

There have been no transactions with key management personnel.

See note 5 for disclosure of the directors' remuneration and key management compensation.

Company

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.

23 Ultimate and immediate parent companies

The directors regard Kavli Holding A/S, a company incorporated in Norway, as the immediate and the ultimate parent company.

The parent undertaking of the only 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.