

Lactalis McLelland Limited

Report and Financial Statements

Year Ended

31 December 2010

Company Number SC014583

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Lactalis McLelland Limited

Report and financial statements for the year ended 31 December 2010

Contents

Page:

1	Report of the directors
4	Independent auditor's report
6	Consolidated profit and loss account
7	Consolidated statement of total recognised gains and losses
8	Consolidated balance sheet
10	Company balance sheet
12	Consolidated cash flow statement
13	Notes forming part of the financial statements

Directors

D. Jaouen
J. McGregor
A. J. Smith
F. Bouisset
R. Ceyrac
M. Leonard
N. Gopal
M. Peslier
O. P. Klein

Secretary and registered office

SLC Registrars Limited, The Creamery, Commerce Road, Stranraer, DG9 7DA

Company number

SC014583

Auditors

BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Bankers

Royal Bank of Scotland PLC, 5th Floor, Kirkstane House, 139 St Vincent Street, Glasgow, G2 5JF

Solicitors

McGrigors, Pacific House, 70 Wellington St, Glasgow, G2 6SB

Lactalis McLelland Limited

Report of the directors for the year ended 31 December 2010

The directors present their report together with the audited financial statements for the year ended 31 December 2010.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

A final dividend of £147.06 per share in respect of the year ended 31 December 2009 was paid during the current year.

Principal activities, review of business and future developments

The group's principal activity is the manufacture, import, sale and trade in cheese and other dairy products. The operating plants within the UK are located at Stranraer (Scotland) and Chard.

The UK operating profit for the year was £5,473,000 compared to £5,886,000 for the year ending 31st December 2009. Losses in Caledonian Cheese Company Limited and increases in milk prices have impacted on the group's profit. The 2010 costs also include the centralisation of group non-manufacturing activities to its new location in Redhill.

Despite the difficult market conditions in 2010, we have continued to invest in our manufacturing facilities to improve efficiencies. We also increased investment in our brands to ensure we retained our market position in the face of high levels of promotional activity by our competitors. Our three main brands Seriously® Strong, Galbani, and President benefited from television advertising and have delivered good growth in 2010.

Brand share for the "Seriously" brand portfolio has been boosted since 2009 by continued strong growth on the flagship product Seriously® Strong, and the successful innovative Seriously® Strong spreadable - the first spreadable cheese offering the full flavoured taste of an extra mature cheddar in a convenient spreadable format.

The imported cheese business also performed very well overall with brand renovation work bringing gains on both key brands, President® and Galbani®, with Galbani® again the clear No. 1 brand in Italian cheese.

Key areas of strategic development and performance of the business include:

- Continuing to work with all farmers who play an important role in our business.
- Improved production capability as a result of continued investment in the major site at Stranraer and also Chard.
- Focus on brand - increase the marketing investment in our main brands (Seriously®, President® and Galbani®) including TV advertising.
- The launch of new products across the complete product portfolio as a result of continuing consumer research and technological developments.
- Continued development of our export sales through the other operating companies of the Lactalis group.

Principal risks and uncertainties

The principle risks facing the business are:

- Milk supply – securing the milk requirements for our factories from direct farmers.
- Milk price – this continues to increase but ongoing difficulties in getting increases to selling prices to our customers may lead to a further squeeze on our profitability.
- Increased competition in cheddar cheese, especially cheap imported products.
- The exchange rate fluctuation against the Euro could have a significant impact on the profitability of our import business as all products imported from the continent (mainly France and Italy) are paid in Euros.

Lactalis McLelland Limited

Report of the directors for the year ended 31 December 2010 (continued)

Charitable and political contributions

During the period the group made charitable contributions of £NIL (2009: £NIL). There were no political contributions.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Employee involvement

The flow of information to staff has been maintained by our staff newspaper. Members of the management team regularly visit branches and discuss matters of current interest and concern to the business with members of staff.

Qualifying third party indemnity provisions

The company's articles of association contain 'qualifying third party indemnity provisions', as defined in section 234 and 235 of the Companies Act 2006. Under these provisions each director and officer is entitled to be indemnified by the company, so far as permitted by law, in respect of certain liabilities which may attach to him in the exercise of his or her duties.

The company maintains insurance to cover its directors and officers, including non-executive directors, in the discharge of their duties against the loss and legal expenses incurred by each insured person due to a wrongful act. This cover provides for company reimbursement if the company pays the loss and legal expenses arising from any wrongful act of an insured person. The policy does not provide payment where the director or officer has acted fraudulently, maliciously or dishonestly.

Directors

The directors of the company during the year were:

D. Jaouen
J. McGregor
A. J. Smith
F. Bouisset
J. Boyer (resigned 30 June 2010)
R. Ceyrac
M. Leonard
N. Gopal
M. Peslier
O. P. Klein

Lactalis McLelland Limited

Report of the directors for the year ended 31 December 2010 (continued)

Directors' responsibilities

The directors are responsible for preparing 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

On behalf of the board



A. J. Smith
Director

29 March 2011

Lactalis McLelland Limited

Independent auditor's report

TO THE MEMBER OF LACTALIS MCLELLAND LIMITED

We have audited the financial statements of Lactalis McLelland Limited for the year ended 31 December 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lactalis McLelland Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

BDO LLP

*Neil Craig (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow
United Kingdom*

29 March 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Lactalis McLelland Limited

Consolidated profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	2	181,865	171,375
Cost of sales		152,904	145,858
Gross profit		28,961	25,517
Administrative expenses		25,552	21,705
		3,409	3,812
Other operating income		2,064	2,074
Group operating profit	3	5,473	5,886
Share of operating profit/(loss) in associated undertaking		618	(51)
Profit on ordinary activities before interest and other income		6,091	5,835
Interest receivable and similar income - group	7	431	829
Interest payable and similar charges - group	8	(3,396)	(3,689)
Other finance charges	9	(44)	(58)
Profit on ordinary activities before taxation		3,082	2,917
Taxation on profit on ordinary activities	11	1,158	813
Profit on ordinary activities after taxation		1,924	2,104
Minority interest		154	152
Profit for the financial year	24	2,078	2,256

All amounts relate to continuing activities.

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Consolidated statement of total recognised gains and losses			
Profit for the financial year			
- group		1,633	2,292
- associated undertaking		445	(36)
		<hr/>	<hr/>
		2,078	2,256
Actuarial gain on pension scheme		48	88
Taxation in respect of gain on pension scheme		(13)	(25)
		<hr/>	<hr/>
Total recognised gains and losses for the financial year		2,113	2,319
		<hr/>	<hr/>

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Consolidated balance sheet at 31 December 2010

<i>Company number SC014583</i>	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Intangible assets	12		1,393		1,489
Tangible assets	13		28,216		28,773
Investment in associates	14		1,641		1,226
			<u>31,250</u>		<u>31,488</u>
Current assets					
Stocks	16	87,303		77,002	
Debtors	17	34,969		27,007	
Cash at bank and in hand		4,825		7,096	
		<u>127,097</u>		<u>111,105</u>	
Creditors: amounts falling due within one year	18	<u>48,297</u>		<u>72,956</u>	
Net current assets			<u>78,800</u>		<u>38,149</u>
Total assets less current liabilities			<u>110,050</u>		<u>69,637</u>
Creditors: amounts falling due after more than one year	19	66,887		22,163	
Provisions for liabilities	20	1,848		1,879	
Accruals and deferred income	21	<u>2,370</u>		<u>2,724</u>	
			<u>71,105</u>		<u>26,766</u>
Net assets excluding pension scheme liabilities			<u>38,945</u>		<u>42,871</u>
Pension scheme liabilities	22		<u>(314)</u>		<u>(504)</u>
Net assets including pension scheme liabilities			<u>38,631</u>		<u>42,367</u>

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Consolidated balance sheet at 31 December 2010 (*continued*)

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Capital and reserves					
Called up share capital	23		17		17
Share premium account	24		2		2
Other reserves	24		18		18
Profit and loss account	24		38,594		38,981
			<hr/>		<hr/>
Shareholder's funds	25		38,631		39,018
Minority interests			-		3,349
			<hr/>		<hr/>
			38,631		42,367
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 29 March 2011.


A.J. Smith
Director

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Company balance sheet at 31 December 2010

Company number SC014583	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Intangible assets	12		103		117
Tangible assets	13		1,760		1,339
Fixed asset investments	14		13,861		10,861
			<hr/>		<hr/>
			15,724		12,317
Current assets					
Stocks	16	6,552		3,665	
Debtors - due within one year	17	41,565		27,867	
Debtors - due after more than one year	17	67,983		68,733	
		<hr/>		<hr/>	
Total debtors		109,548		96,600	
Cash at bank and in hand		1		6,864	
		<hr/>		<hr/>	
		116,101		107,129	
Creditors: amounts falling due within one year	18	34,859		66,566	
		<hr/>		<hr/>	
Net current assets			81,242		40,563
			<hr/>		<hr/>
Total assets less current liabilities			96,966		52,880
Creditors: amounts falling due after more than one year	19	66,887		22,163	
Provisions for liabilities	20	49		61	
Accruals and deferred income	21	126		143	
		<hr/>		<hr/>	
			67,062		22,367
			<hr/>		<hr/>
Net assets excluding pension scheme liabilities			29,904		30,513
Pension scheme liabilities	22		(314)		(504)
			<hr/>		<hr/>
Net assets including pension scheme liabilities			29,590		30,009
			<hr/>		<hr/>

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Company balance sheet at 31 December 2010 (*continued*)

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Capital and reserves					
Called up share capital	23		17		17
Share premium account	24		2		2
Other reserves	24		18		18
Profit and loss account	24		29,553		29,972
			<hr/>		<hr/>
Shareholder's funds	25		29,590		30,009
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 29 March 2011.


A. J. Smith
Director

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Consolidated cashflow statement for the year ended 31 December 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Net cash inflow from operating activities	26		1,871		23,707
Dividends from joint ventures and associated undertakings					
From associated undertakings			30		-
Returns on investments and servicing of finance					
Interest received		431		829	
Interest paid: bank loans		(176)		(345)	
Interest paid: other loans		(3,219)		(3,293)	
Interest paid: finance lease and hire purchase		(1)		(51)	
Net cash outflow from returns on investments and servicing of finance			(2,965)		(2,860)
Taxation					
Corporation tax paid			(830)		(1,480)
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		-		(27)	
Payments to acquire tangible fixed assets		(3,081)		(2,905)	
Receipts from sale of tangible fixed assets		39		875	
Net cash outflow from capital expenditure and financial investment			(3,042)		(2,057)
Acquisitions and disposals					
Purchase of business operations			(988)		(6,131)
Dividends paid			(2,500)		-
Cash (outflow)/inflow before use of financing			(8,424)		11,179
Financing					
Capital element of finance lease and hire purchase contracts repaid			(54)		(505)
(Decrease)/increase in cash	27		(8,478)		10,674

The notes on pages 13 to 38 form part of these financial statements.

Lactalis McLelland Limited

Notes forming part of the financial statements for the year ended 31 December 2010

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of Lactalis McLelland Limited and all of its subsidiary undertakings as at 31 December 2010 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Goodwill and other intangibles

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Other intangibles consist of trademarks and other brand related costs that are capitalised where the directors consider them to have an enduring economic benefit. These are amortised over the directors' estimate of their useful economic life of 10 years.

Associates

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the group accounts, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

The premium on acquisition is dealt with under the goodwill policy.

Turnover

Turnover represents sales to external customers at invoiced amounts less Value Added Tax. Turnover is recognised when goods are dispatched and title passes to the customer.

Lactalis McLelland Limited

Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, assets held for resale and assets in the course of construction, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 4% straight line and 2.5% straight line
Plant and machinery	- 4% - 25% per annum
Fixtures, fittings and equipment	- 5% - 50% per annum on the reducing balance and straight line methods

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value on a consistent basis year by year. The cost of finished goods includes all raw materials and direct overheads together with the attributable proportion of indirect overheads (for each category of stock) based on the normal level of activity.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates except where matching forward currency contracts are in place to fix the Sterling amount receivable or payable, in which case the assets and liabilities are translated at the forward rate. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets to which they relate. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

1 Accounting policies (continued)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance lease and hire purchase contracts), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with Financial Reporting Standard 17 'Retirement benefits'.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

2 Turnover

	2010 £'000	2009 £'000
Analysis by geographical market:		
European Union	181,865	171,375

Turnover is wholly attributable to the principal activity of the group.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

3 Operating profit

	2010 £'000	2009 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	3,599	3,090
Amortisation of positive goodwill	82	82
Amortisation of other intangible fixed assets	14	12
Hire of plant and machinery - operating leases	350	391
Auditors' remuneration:		
- group audit services	80	67
- group taxation compliance and advisory	40	13
- group other	5	5
Defined benefit pension cost (see below)	1	5
Government grants released	(354)	(354)
	<u> </u>	<u> </u>

Depreciation includes £32,000 (2009: £145,000) charged on assets held under finance lease and hire purchase contracts.

Included within the group audit fee is amounts payable in respect of the company of £25,000 (2009: £25,000). Amounts paid to the company's auditor in respect of services other than the audit of the company's financial statements have not been disclosed as the information is required instead to be given on a consolidated basis.

	2010 £'000	2009 £'000
Defined benefit pension costs charged in arriving at the operating loss comprise the following:		
Current service cost	<u>1</u>	<u>5</u>

4 Dividends

	2010 £'000	2009 £'000
<i>Ordinary shares</i>		
Final paid in respect of 2009 of £147.06 (2009 - £nil) per share	<u>2,500</u>	<u>-</u>

The proposed final dividend in respect of 2009 was not accrued for as the dividend was declared after the balance sheet date.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

5 Employees

Staff costs (including directors) consist of:

	Group 2010 £'000	Group 2009 £'000
Wages and salaries	13,592	12,281
Social security costs	1,140	1,028
FRS17 and other pension costs	462	506
	<u>15,194</u>	<u>13,815</u>

The average number of employees (including directors) during the year was as follows:

	Group 2010 Number	Group 2009 Number
Administration and management	110	133
Production, warehouse and distribution	307	322
	<u>417</u>	<u>455</u>

Included in staff costs are agency staff costs of £841,000 (2009: £721,000).

6 Directors' remuneration

	2010 £'000	2009 £'000
Directors' emoluments	1,003	801
Company contributions to money purchase pension schemes	68	63
	<u></u>	<u></u>

There were 3 directors in the group's defined contribution pension scheme during the year (2009 - 3).

The total amount payable to the highest paid director in respect of emoluments was £239,000 (2009 - £221,000). Company pension contributions of £38,000 (2009 - £37,000) were made to a money purchase scheme on his behalf.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

7 Interest receivable and similar income

	2010 £'000	2009 £'000
Bank deposits	182	354
Loans to group companies	249	475
	<u>431</u>	<u>829</u>

8 Interest payable and similar charges

	2010 £'000	2009 £'000
Bank loans and overdrafts	176	345
Loans from group companies	3,184	3,285
Finance lease and hire purchase contracts	1	51
Other interest payable	35	8
	<u>3,396</u>	<u>3,689</u>

9 Other finance charges

	2010 £'000	2009 £'000
Expected return on pension scheme assets	(61)	(57)
Interest on pension scheme liabilities	105	115
	<u>44</u>	<u>58</u>

10 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £2,046,000 (2009 - £3,250,000) which is dealt with in the financial statements of the parent company.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

11 Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	953	911
Adjustment in respect of previous periods	1	(161)
	<hr/>	<hr/>
Total current tax	954	750
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	34	21
Adjustment in respect of previous periods	-	37
Effect of tax rate change on opening balance	(66)	-
Charge on FRS 17 pension movement	63	20
	<hr/>	<hr/>
Movement in deferred tax provision	31	78
	<hr/>	<hr/>
<i>Other tax</i>		
Share of associated undertakings' tax charge	173	(15)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,158	813
	<hr/>	<hr/>

The tax assessed for the year differs from the applicable rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	3,082	2,917
	<hr/>	<hr/>
Profit on ordinary activities at the applicable rate of corporation tax in the UK of 28% (2009 - 28%)	863	817
Effect of:		
Expenses not deductible for tax purposes	162	94
Capital allowances for period compared to depreciation	326	101
Utilisation of tax losses	-	(34)
Income not taxable	(101)	(80)
Adjustment to tax charge in respect of previous periods	1	(161)
Share of associated companies' result	(173)	15
FRS 17 adjustment	(63)	-
Other short term timing differences	(61)	(2)
	<hr/>	<hr/>
Current tax charge for the year	954	750
	<hr/>	<hr/>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

12 Intangible fixed assets

Group

	Goodwill on consolidation £'000	Trademarks £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2010 and 31 December 2010	1,638	139	1,777
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2010	266	22	288
Provided for the year	82	14	96
	<hr/>	<hr/>	<hr/>
At 31 December 2010	348	36	384
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2010	1,290	103	1,393
	<hr/>	<hr/>	<hr/>
At 31 December 2009	1,372	117	1,489
	<hr/>	<hr/>	<hr/>

Company

	Trademarks £'000
<i>Cost</i>	
At 1 January 2010 and 31 December 2010	139
	<hr/>
<i>Amortisation</i>	
At 1 January 2010	22
Provided for the year	14
	<hr/>
At 31 December 2010	36
	<hr/>
<i>Net book value</i>	
At 31 December 2010	103
	<hr/>
At 31 December 2009	117
	<hr/>

Lactalis McLelland Limited

Note forming part of the financial statements
for the year ended 31 December 2010 (continued)

13 Tangible fixed assets						
Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets held for sale £'000	Assets in course of construction £'000	Total £'000
<i>Cost or valuation</i>						
At 1 January 2010	15,781	34,014	2,280	-	316	52,391
Additions	26	2,012	754	-	289	3,081
Disposals	-	(2,915)	(1,855)	-	-	(4,770)
Transfers	(2,125)	-	-	2,125	-	-
At 31 December 2010	13,682	33,111	1,179	2,125	605	50,702
<i>Depreciation</i>						
At 1 January 2010	2,644	18,848	2,126	-	-	23,618
Provided for the year	536	2,835	228	-	-	3,599
Disposals	-	(2,876)	(1,855)	-	-	(4,731)
Transfers	(1,527)	512	-	1,015	-	-
At 31 December 2010	1,653	19,319	499	1,015	-	22,486
<i>Net book value</i>						
At 31 December 2010	12,029	13,792	680	1,110	605	28,216
At 31 December 2009	13,137	15,166	154	-	316	28,773

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

13 Tangible fixed assets (continued)

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets held for sale £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2010	2,125	488	2,107	-	4,720
Additions	-	-	754	-	754
Disposals	-	(480)	(1,855)	-	(2,335)
Transfers	(2,125)	-	-	2,125	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	8	1,006	2,125	3,139
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2010	896	483	2,002	-	3,381
Provided for the year	119	3	211	-	333
Disposals	-	(480)	(1,855)	-	(2,335)
Transfers	(1,015)	-	-	1,015	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	6	358	1,015	1,379
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2010	-	2	648	1,110	1,760
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	1,229	5	105	-	1,339
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under finance lease and hire purchase contracts as follows:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<i>Net book value</i>				
Plant and machinery	-	591	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation charged</i>				
Plant and machinery	32	145	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

14 Fixed asset investments

Group

	Associated undertakings £'000
<i>Cost</i>	
At 1 January 2010 and 31 December 2010	230
<i>Share of retained profits</i>	
At 1 January 2010	996
Profit for the year	415
At 31 December 2010	1,411
<i>Net book value</i>	
At 31 December 2010	1,641
At 31 December 2009	1,226

Company

	Group undertakings £'000	Associated undertakings £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2010	10,631	230	10,861
Additions	3,000	-	3,000
At 31 December 2010	13,631	230	13,861

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

14 Fixed asset investments *(continued)*

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>		
The Caledonian Cheese Company Limited	100%	Cheese manufacturers
McLelland Cheese Packing Limited	100%	Cheese packing
Lubborn Cheese Limited	100%	Cheese manufacturers
The Fresh Milk Company Limited	100%	Milk procurement and distribution
Farmers Creamery Company Limited	100%	Holding company
<i>Associated undertakings</i>		
Orkney Cheese Company Limited	20%	Cheese manufacturers
Dairy Solutions Limited	30%	Cheese manufacturers

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

15 Acquisitions

Acquisition of The Fresh Milk Company Limited

This company was acquired on 4 March 2010. In calculating the goodwill arising on acquisition, the fair value of the net assets of The Fresh Milk Company Limited have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value £'000	Other adjustment £'000	Fair value £'000
<i>Current assets</i>			
Debtors	5	-	5
<i>Creditors</i>			
Due within one year	-	5	5
	<hr/>	<hr/>	<hr/>
Net assets	5	(5)	-
	<hr/>	<hr/>	<hr/>

The result after tax of The Fresh Milk Company Limited from the beginning of its financial year to the date of acquisition was £Nil.

The profit after tax of The Fresh Milk Company Limited for the year ended 31 December 2009 was £Nil.

Cash flows

The net outflow of cash arising from the acquisition of The Fresh Milk Company Limited was as follows:

	£'000
Cash consideration payable	5
Offset against group creditors	(5)
	<hr/>
Net outflow of cash	-
	<hr/>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

15 Acquisitions (continued)

Acquisition of Farmers Creamery Company Limited

This company was acquired on 30 December 2010. In calculating the goodwill arising on acquisition, the fair value of the net assets of Farmers Creamery Company Limited have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value £'000	Revaluation of fixed assets £'000	Fair value £'000
<i>Fixed assets</i>			
Investments	537	2,470	3,007
<i>Current assets</i>			
Cash at bank and in hand	12	-	12
	<hr/>	<hr/>	<hr/>
Total assets	549	2,470	3,019
<i>Creditors</i>			
Due within one year	19	-	19
	<hr/>	<hr/>	<hr/>
Net assets	530	2,470	3,000
	<hr/>	<hr/>	<hr/>
			£'000
Cash consideration			1,000
Deferred consideration payable 2011			1,000
Deferred consideration payable 2012			1,000
Net assets acquired			(3,000)
			<hr/>
Goodwill arising on acquisition			-
			<hr/>

The revaluation of fixed assets relates to the assessed fair value of the the 20% shareholding held by Farmers Creamery Company Limited in Caledonian Cheese Company Limited as at the date of acquisition.

The loss after tax of Farmers Creamery Company Limited from the beginning of its financial period to the date of acquisition was £18,000.

The loss after tax of Farmers Creamery Company Limited (at which time it was trading as the Farmers Creamery Co-operative Limited) for the year ended 31 March 2010 was £4,000.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

15 Acquisitions (continued)

Cash flows

The net outflow of cash arising from the acquisition of Farmers Creamery Company Limited was as follows:

	£'000
Cash consideration, as above	1,000
Cash acquired	12
	<hr/>
Net outflow of cash	988
	<hr/>

16 Stocks

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Raw materials and consumables	2,103	2,079	-	-
Work in progress	248	283	-	-
Finished goods and goods for resale	84,952	74,640	6,552	3,665
	<hr/>	<hr/>	<hr/>	<hr/>
	87,303	77,002	6,552	3,665
	<hr/>	<hr/>	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

17 Debtors

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts receivable within one year				
Trade debtors	24,512	20,753	22,424	17,676
Amounts owed by group undertakings	8,861	4,185	18,182	8,750
Amounts owed by associated undertakings	240	-	240	-
Corporation tax recoverable	264	514	264	514
Prepayments and accrued income	378	431	352	350
Other debtors	714	1,124	103	577
	<u>34,969</u>	<u>27,007</u>	<u>41,565</u>	<u>27,867</u>
Amounts receivable after more than one year				
Amounts owed by group undertakings	-	-	67,983	68,733
	<u>34,969</u>	<u>27,007</u>	<u>109,548</u>	<u>96,600</u>

18 Creditors: amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank loans and overdrafts (secured)	10,841	4,634	467	-
Trade creditors	10,539	8,784	1,098	1,536
Amounts owed to group undertakings	12,805	50,289	21,259	58,277
Corporation tax	97	93	-	-
Other taxation and social security	344	328	152	118
Obligations under finance lease and hire purchase contracts (secured)	-	54	-	-
Other creditors	6,401	2,342	6,382	2,342
Accruals and deferred income	7,270	6,432	5,501	4,293
	<u>48,297</u>	<u>72,956</u>	<u>34,859</u>	<u>66,566</u>

All bank borrowings of the group are secured by a bond and floating charge over the assets of each group company, an intercompany cross guarantee covering the Lactalis McLelland group of companies and Lactalis Nestle Chilled Dairy Company Limited and a letter of comfort from BSA, the group's ultimate parent undertaking.

Finance lease and hire purchase obligations of the group are secured over the assets being financed.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

19 Creditors: amounts falling due after more than one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts owed to group undertakings	65,887	22,163	65,887	22,163
Other creditors	1,000	-	1,000	-
	<u>66,887</u>	<u>22,163</u>	<u>66,887</u>	<u>22,163</u>

20 Provisions for liabilities

Group

	Deferred taxation £'000
At 1 January 2010	1,879
Charged to profit and loss account	94
Utilised in year	(125)
	<u>1,848</u>
At 31 December 2010	

Company

	Deferred taxation £'000
At 1 January 2010	61
Credited to profit and loss account	(12)
	<u>49</u>
At 31 December 2010	

Deferred taxation

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Accelerated capital allowances	1,896	1,936	63	68
Sundry timing differences	(48)	(57)	(14)	(7)
	<u>1,848</u>	<u>1,879</u>	<u>49</u>	<u>61</u>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

21 Accruals and deferred income

Grant income

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
At 1 January	2,724	3,078	143	160
Released to profit and loss account	(354)	(354)	(17)	(17)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	2,370	2,724	126	143
	<hr/>	<hr/>	<hr/>	<hr/>

22 Pensions

Following the acquisition of Galbani (UK) Limited in 2007, the group acquired a defined benefit pension scheme, the Galbani (UK) Limited Retirement Benefits Scheme.

A full actuarial valuation of the defined benefit scheme was carried out at 1 September 2008 and updated to 31 December 2010 by a qualified independent actuary on an FRS 17 basis.

	2010 £'000	2009 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(1,745)	(1,766)
Current service cost	(1)	(5)
Interest cost	(105)	(115)
Actuarial gains	45	126
Benefits paid	71	15
	<hr/>	<hr/>
At the end of the year	(1,735)	(1,745)
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	1,735	1,745
	<hr/>	<hr/>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

22 Pensions (continued)

	2010 £'000	2009 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	1,041	895
Expected rate of return on plan assets	61	57
Actuarial gains/(losses)	4	(39)
Contributions by group	269	143
Benefits paid	(71)	(15)
	<hr/>	<hr/>
At the end of the year	1,304	1,041
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	(1,735)	(1,745)
Fair value of plan assets	1,304	1,041
	<hr/>	<hr/>
Plan deficit	(431)	(704)
Related deferred tax asset	117	200
	<hr/>	<hr/>
Net liability	(314)	(504)
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>The amounts recognised in profit and loss are as follows:</i>		
<i>Included in administrative expenses:</i>		
Current service cost	1	5
	<hr/>	<hr/>
<i>Included in other finance (income)/expense:</i>		
Interest cost	105	115
Expected return of plan assets	(61)	(57)
	<hr/>	<hr/>
	45	63
	<hr/>	<hr/>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

22 Pensions (continued)

	2010 £'000	2009 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on pension plan assets	4	(39)
Experience gains and losses arising on the scheme liabilities	100	316
Changes in assumptions underlying the present value of the scheme liabilities	(55)	(190)
	<u> </u>	<u> </u>
Actuarial gains recognised in the statement of total recognised gains and losses	49	87
	<u> </u>	<u> </u>
	2010 £'000	2009 £'000
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>	(778)	(827)
	<u> </u>	<u> </u>
	2010 £'000	2009 £'000
<i>Composition of plan assets</i>		
European equities	840	583
European bonds	305	220
Cash	159	238
	<u> </u>	<u> </u>
Total plan assets	1,304	1,041
	<u> </u>	<u> </u>

Narrative description of the basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class.

	2010 £'000	2009 £'000
<i>Actual return on plan assets</i>	65	18
	<u> </u>	<u> </u>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

22 Pensions (continued)

	2010 %	2009 %
<i>Principle actuarial assumptions used at the balance sheet date</i>		
Discount rates	6.00	6.00
Expected rates of return on plan assets		
Equities	7.50	7.50
Bonds	4.80	4.80
Cash	0.50	0.50
Future salary increases	3.30	3.00
Future pension increases	3.20	3.20
Inflation assumption	3.30	3.00

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
<i>Five year history</i>					
Present value of the plan liabilities	(1,735)	(1,745)	(1,766)	(1,380)	(1,444)
Fair value of the plan assets	1,304	1,041	895	1,234	1,075
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit on the pension plans	(431)	(704)	(871)	(146)	(369)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Experience adjustments arising on:</i>					
Plan liabilities	100	316	(769)	(6)	(220)
Plan assets	4	(39)	(404)	(71)	84
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The group's best estimate of the contributions expected to be paid in the year beginning on the 1 January 2011 is £312,000.

The group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £461,000 (2009: £501,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year other than December payroll amounts paid in January.

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

23 Share capital

	2010 £'000	2009 £'000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	17	17
	<u>17</u>	<u>17</u>

24 Reserves

Group

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 2010	2	18	38,981
Profit for the year	-	-	2,078
Dividends	-	-	(2,500)
Actuarial gain on pension scheme liabilities net of related deferred taxation	-	-	35
	<u>2</u>	<u>18</u>	<u>38,594</u>
At 31 December 2010	<u>2</u>	<u>18</u>	<u>38,594</u>

Company

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 2010	2	18	29,972
Profit for the year	-	-	2,046
Dividends	-	-	(2,500)
Actuarial gain on pension scheme liabilities net of related deferred taxation	-	-	35
	<u>2</u>	<u>18</u>	<u>29,553</u>
At 31 December 2010	<u>2</u>	<u>18</u>	<u>29,553</u>

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

25 Reconciliation of movements in shareholder's funds

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Profit for the year	2,078	2,256	2,046	3,250
Dividends	(2,500)	-	(2,500)	-
	<u>(422)</u>	<u>2,256</u>	<u>(454)</u>	<u>3,250</u>
Actuarial gain on pension scheme liabilities net of related deferred taxation	35	63	35	63
	<u>(387)</u>	<u>2,319</u>	<u>(419)</u>	<u>3,313</u>
Net (deductions from)/additions to shareholder's funds				
Opening shareholder's funds	39,018	36,699	30,009	26,696
	<u>38,631</u>	<u>39,018</u>	<u>29,590</u>	<u>30,009</u>
Closing shareholder's funds				

26 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	6,091	5,886
Amortisation of intangible fixed assets	96	94
Depreciation of tangible fixed assets	3,599	3,090
Government grants released	(354)	(354)
Increase in stocks	(10,489)	(3,617)
Increase in debtors	(8,212)	(1,110)
Increase in creditors	12,026	19,856
FRS 17 Profit and Loss charge	1	5
Defined benefit pension scheme contributions	(269)	(143)
Share of associates' operating (profit) / loss	(618)	-
	<u>1,871</u>	<u>23,707</u>
Net cash inflow from operating activities		

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

27 Reconciliation of net cash flow to movement in net (debt)/funds

	2010 £'000	2009 £'000
(Decrease)/increase in cash	(8,478)	10,674
Cash inflow from changes in debt	54	505
Movement in net (debt)/funds resulting from cash flows	(8,424)	11,179
Acquisition of a subsidiary	-	(292)
Movement in net (debt)/funds	(8,424)	10,887
Opening net funds/(debt)	2,408	(8,479)
Closing net (debt)/funds	(6,016)	2,408

28 Analysis of net (debt)/funds

	At 1 January 2010 £'000	Cash flow £'000	At 31 December 2010 £'000
Cash at bank and in hand	7,096	(2,271)	4,825
Bank overdrafts	(4,634)	(6,207)	(10,841)
		(8,478)	
Finance leases	(54)	54	-
		54	
Total	2,408	(8,424)	(6,016)

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

29 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2010 £'000	Other 2010 £'000	Land and buildings 2009 £'000	Other 2009 £'000
Operating leases which expire:				
Within one year	-	50	-	88
In two to five years	271	124	-	186
	<u>271</u>	<u>174</u>	<u>-</u>	<u>274</u>

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2010 £'000	Other 2010 £'000	Land and buildings 2009 £'000	Other 2009 £'000
Operating leases which expire:				
Within one year	-	50	-	59
In two to five years	271	75	-	170
	<u>271</u>	<u>125</u>	<u>-</u>	<u>229</u>

30 Related party disclosures

Related party transactions and balances

The company and its subsidiaries trade with fellow members of the BSA group of companies. All transactions are at arms length on a commercial basis.

Sales and management charges by the Lactalis McLelland group during the year to fellow members of the BSA group of companies amounted to £11,570,000 (2009: £10,631,000). Purchases and other charges from fellow members of the BSA group of companies amounted to £59,745,000 (2009: £47,381,000). The Lactalis McLelland group paid interest of £3,184,000 (2009: £3,285,000) and received interest on deposits held with the group of £249,000 (2008: £475,000).

At the year-end, the total amount owed to the Lactalis McLelland group by fellow members of the BSA group of companies was £8,861,000 (2009: £4,185,000) and the total amount owed by the Lactalis McLelland group was £78,692,000 (2009: £72,452,000).

Lactalis McLelland Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

31 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of BSA, which is the ultimate parent company incorporated in France.

The largest group in which the results of the company are consolidated is that headed by BSA. The smallest group in which they are consolidated is that headed by Lactalis McLelland Limited.

32 Capital commitments

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Contracted but not provided for	449	15	-	-
	<hr/>	<hr/>	<hr/>	<hr/>