

Lion/Stove Acquisition Limited
Annual report and financial statements
for the year ended 30 September 2009

Registered number: 05871386

WEDNESDAY



AKBHAKP5

A42

09/06/2010

8

COMPANIES HOUSE

Lion/Stove Acquisition Limited

Annual report and financial statements for the year ended 30 September 2009

Contents

Directors and advisors	1
Directors' report	2
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

Lion/Stove Acquisition Limited

Directors and advisors

Directors

L Lea
A von Paleske
G Sewell

Company secretary

A von Paleske

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
St Georges Street
Norwich
NR3 1AG

Registered office

38 Barnard Road
Bowthorpe Employment Area
Norwich
Norfolk
NR5 9JP

Lion/Stove Acquisition Limited

Directors' report for the year ended 30 September 2009

The directors present their report and the audited financial statements of the company for the year ended 30 September 2009

Principal activities

The company's principal activity is to act as an intermediate holding company

Business review

The directors of Lion/Stove Holdings Limited, an intermediate parent company, manage the operations of the Lion/Stove Holdings Limited group (the "group") on a consolidated basis. As a result a full review of the group's business, which includes the company, is discussed within the Annual report and financial statements of Lion/Stove Holdings Limited which do not form part of this report

Future developments

An indication of the outlook for the group, which includes the company, is included in the Annual report and financial statements of Lion/Stove Holdings Limited which do not form part of this report

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. The principal risks and uncertainties of the group, which include those of the company, are discussed within the Annual report and financial statements of Lion/Stove Holdings Limited which do not form part of this report

Key performance indicators

The directors of the Lion/Stove Holdings Limited group manage the group's operations on a consolidated basis. For this reason, the directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. The development, performance and position of the group, which includes the company, is discussed within the Annual report and financial statements of Lion/Stove Holdings Limited which do not form part of this report

Results and dividends

The results for the year ended 30 September 2009 and the comparative period are set out in the profit and loss account on page 5. The directors do not propose the payment of a dividend (2008: £nil)

Financial risk management

The directors of Lion/Stove Holdings Limited manage the group's financial risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the company's financial risks would not be appropriate. The financial risk management of the Lion/Stove Holdings Limited group, which includes the company, is discussed within the Annual report and financial statements of Lion/Stove Holdings Limited which do not form part of this report

Directors

Details of the directors who held office during the year and up to the date of signing the financial statements were

L Lea
G Sewell
A von Paleske

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year

Lion/Stove Acquisition Limited

Directors' report for the year ended 30 September 2009 (continued)

Statement of 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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies 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.

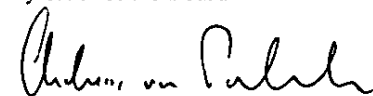
Statement of disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. In accordance with current legislation there is no requirement to hold an annual general meeting and as such a resolution concerning their reappointment will be proposed at the next meeting of the board of directors.

By order of the Board



A von Paleske
Director

Lion/Stove Acquisition Limited

Independent auditors' report to the members of Lion/Stove Acquisition Limited

We have audited the financial statements of Lion/Stove Acquisition Limited for the year ended 30 September 2009 which comprise the profit and loss account, the balance sheet 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).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3 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 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss 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.

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



Christopher Maw (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich
24 December 2009

Lion/Stove Acquisition Limited

Profit and loss account for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Administrative expenses		(587)	(384)
Foreign exchange gains		1,242	1,457
Operating profit	2	655	1,073
Interest receivable and similar income	4	733	581
Interest payable and similar charges	5	(14,977)	(15,026)
Impairment of investment	7	(4,532)	-
Dividends received from subsidiary undertaking		8,554	9,385
Loss on ordinary activities before taxation		(9,567)	(3,987)
Tax on loss on ordinary activities	6	(65)	(15)
Loss for the financial year	16	(9,632)	(4,002)

The above results relate to continuing operations

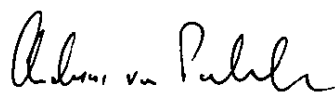
The company has no recognised gains and losses other than the results above and therefore no statement of total recognised gains and losses has been presented

Lion/Stove Acquisition Limited

Balance sheet as at 30 September 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	7	92,534	97,066
Current assets			
Debtors	8	12,601	11,164
Cash at bank and in hand		2	2
		12,603	11,166
Creditors amounts falling due within one year	9	(4,590)	(7,947)
Net current assets		8,013	3,219
Total assets less current liabilities		100,547	100,285
Creditors , amounts falling due after more than one year	10	(122,450)	(112,542)
Provisions for liabilities and charges	11	-	(14)
Net liabilities		(21,903)	(12,271)
Capital and reserves			
Called up share capital	14	-	-
Share premium account	15	6,973	6,973
Profit and loss account	16	(28,876)	(19,244)
Total shareholders' deficit	17	(21,903)	(12,271)

The financial statements on pages 5 to 15 were approved by the board of directors on 23 December 2009 and were signed on its behalf by



A von Paleske
Director



G Sewell
Director

Lion/Stove Acquisition Limited

Notes to the financial statements for the year ended 30 September 2009

1. Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

The financial statements contain information about Lion/Stove Acquisition Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Lion/Stove Holdings Limited, a company registered in England and Wales.

Going concern

The company is reliant on the financial support of Lion/Stove Holdings Limited and its subsidiaries. This support has been formally pledged to enable the company to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements, and accordingly the directors of the company have prepared these financial statements on the going concern basis.

Cash flow statement, related party transactions and financial instrument disclosures

The company is a wholly owned subsidiary of Lion/Stove Holdings Limited and is included in the consolidated financial statements of Lion/Stove Holdings Limited, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash Flow Statements". The company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the Lion/Stove Holdings Limited group. The company is also exempt under the terms of FRS 29 "Financial Instruments Disclosures" from disclosing further information regarding financial instruments.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Foreign exchange

Transactions undertaken during the year in foreign currencies are translated at the rate ruling at the date of the transaction. Any resultant gain or loss is taken to the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are reflected in the balance sheet at the exchange rate ruling at the year end. Any gains or losses arising are taken to the profit and loss account.

Lion/Stove Acquisition Limited

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised upon becoming a party to the contractual provisions of the instrument

(a) Intercompany debtors and creditors

Intercompany debtors and creditors are either non-interest or interest bearing and are stated at their nominal value. Intercompany debtors are reduced by appropriate allowances for estimated irrecoverable amounts

(b) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities

(c) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of associated transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings

(d) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

(e) Derivative financial instruments

Derivative financial instruments within the scope of FRS 26, "Financial Instruments: Recognition and Measurement" are stated at fair value

The company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational and financing activities. The company does not hold or issue derivative financial instruments for trading purposes, however if derivatives do not qualify for hedge accounting they are accounted for as such. Given that the derivative financial instruments do not meet the documentation requirements to qualify for hedge accounting they are classified as held for trading

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments, or by discounted cash flows or using option valuation models. Any gains or losses on re-measurement are immediately recognised in the profit and loss account

2. Operating profit

	2009 £'000	2008 £'000
Operating profit is stated after (crediting)/charging:		
Audit services		
- fees payable to the company's auditors	45	48
Non-audit services		
- taxation services	51	29
- other	113	5
Net foreign exchange gain	(1,242)	(1,457)

Lion/Stove Acquisition Limited

3. Employee information

The company had no employees during the year other than the directors (2008 nil) The directors received no emoluments in respect of their services to the company for the period (2008 £nil)

4. Interest receivable and similar income

	2009 £'000	2008 £'000
On amounts owed by group undertakings	733	581

5. Interest payable and similar charges

	2009 £'000	2008 £'000
On amounts due to group undertakings	8,330	7,292
On bank loans and overdrafts	6,100	7,227
Fair value adjustment in respect of derivative financial instruments (note 13)	405	227
Amortisation of issue costs of bank loan and other charges	142	280
	14,977	15,026

6. Tax on loss on ordinary activities

a) Analysis of charge for the year

	2009 £'000	2008 £'000
Current taxation:		
Overseas taxation	178	1
Total current tax	178	1
Deferred taxation (note 12):		
Current year	(113)	(66)
Under provision in prior year	-	80
Total deferred tax	(113)	14
Tax on loss on ordinary activities	65	15

Lion/Stove Acquisition Limited

6. Tax on loss on ordinary activities (continued)

b) Factors affecting the current tax charge

	2009 £'000	2008 £'000
Loss on ordinary activities before tax:	(9,567)	(3,987)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2008 29%)	(2,679)	(1,156)
Group relief surrendered not paid for	3,672	3,825
Permanent differences	(1,106)	(2,735)
Short term timing differences	113	66
Overseas taxation	178	1
Current tax charge for the year (note 6a)	178	1

c) Factors affecting the future tax charge

At 30 September 2009 the company had unrecognised losses of £300,000 (2008 £339,000) to carry forward into future periods. No deferred tax asset has been recognised in respect of these losses due to uncertainty over their recoverability.

7. Fixed asset investments

	2009 £'000	2008 £'000
Investments in subsidiary undertakings at cost:		
At 1 October 2008	97,066	97,041
Additions in the year	-	25
Impairment in year	(4,532)	-
At 30 September 2009	92,534	97,066

During the year ended 30 September 2008 the company subscribed for two additional US\$0.01 ordinary shares in Kettle Foods Holdings, Inc., a subsidiary undertaking, for a purchase consideration of £25,000.

The impairment in the year relates to a dividend received from a subsidiary company from pre-acquisition reserves.

In the opinion of the directors, the aggregate and individual value of the investments is not less than the amount stated in the balance sheet.

Lion/Stove Acquisition Limited

7. Fixed asset investments (continued)

Details of the company's subsidiary undertakings are as follows

Name of undertaking	Country of registration	Description of shares	Proportion of nominal value of shares held
Kettle Foods Holdings, Inc	USA	Ordinary	100%
Kettle Foods, Inc *	USA	Ordinary	100%
Kettle Foods Ltd **	England	Ordinary	100%
Kettle LLC	USA	Ordinary	100%
Lion/Stove Intermediate Limited *	England	Ordinary	100%
Lion/Stove Investments Limited ***	England	Ordinary	100%
Lion/Stove Investments Limited ****	England	Preference	100%

* Held by a subsidiary undertaking, Kettle Foods Holdings, Inc

** Held by a subsidiary undertaking, Lion/Stove Investments Limited

*** Held by the company (95%) and a subsidiary undertaking, Lion/Stove Intermediate Limited (5%)

**** Held by a subsidiary undertaking, Lion/Stove Intermediate Limited

The principal activity of Kettle Foods Holdings, Inc is to act as holding company to Kettle Foods, Inc and Lion/Stove Intermediate Limited. The principal activity of Lion/Stove Investments Limited is to act as a property, plant and machinery management company and as a holding company to Kettle Foods Limited. The principal activity of Kettle Foods, Inc and Kettle Foods Limited is the manufacture and distribution of snack foods. The principal activity of Lion/Stove Intermediate Limited is to act as an intermediate holding company. Kettle LLC did not trade after 31 January 2007. Prior to this the principal activity of Kettle LLC was to act as a property holding vehicle.

8. Debtors

	2009 £'000	2008 £'000
Amounts owed by group undertakings	12,464	11,063
Other debtors	20	37
Prepayments and accrued income	18	15
Deferred taxation (note 12)	99	-
Derivative financial instruments (note 13)	-	49
	12,601	11,164

Interest is receivable on amounts owed by group undertakings at a rate of 5.78% per annum

All amounts are receivable in Sterling except £12,252,000 (2008: £10,998,000) which is denominated in US Dollars

Lion/Stove Acquisition Limited

9. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank loans (note 10)	-	338
Amounts due to group undertakings	3,909	7,165
Derivative financial instruments (note 13)	356	-
Accruals and deferred income	325	444
	4,590	7,947

Amounts due to group undertakings at the year end are unsecured, have no fixed date of repayment and are interest free

10. Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Bank loans (net of unamortised costs)	62,833	60,752
Amount due to group undertakings	59,617	51,790
	122,450	112,542

Amounts due to fellow group companies are unsecured, bear interest at a fixed rate of 15.6% rolling up annually and are repayable in 2055

Borrowings are repayable as follows

Bank loans	2009 £'000	2008 £'000
In one year or less	-	338
In after five years	64,503	62,596
	64,503	62,934
Unamortised element of directly attributable fees and other finance costs	(1,670)	(1,844)
	62,833	61,090

The bank loans are secured by way of a fixed and floating charge over all property and all present and future assets of all group companies and carry interest at rates between LIBOR plus 2.01% and LIBOR plus 8.51% per annum and are repayable in December 2014. Loan capital repayments are required in certain circumstances and may be made voluntarily, prior to December 2014.

Lion/Stove Acquisition Limited

11. Provisions for liabilities and charges

	Deferred tax £'000
At 1 October 2008	14
Credited to the profit and loss account	(14)
At 30 September 2009	-

12. Deferred tax

Analysis of provided deferred taxation asset/(liability)

	2009 £'000	2008 £'000
Short term timing differences	99	(14)
Deferred tax asset/(liability)	99	(14)

Reconciliation of movement in provided deferred tax

	£'000
At 1 October 2008	14
Credited to the profit and loss account	
Current year	(113)
At 30 September 2009	(99)

The provision for deferred tax is based on a corporation tax rate of 28% (2008 28%)

Analysis of unprovided deferred tax asset

	2009 £'000	2008 £'000
Tax losses carried forward	84	95

Reconciliation of movement in unprovided deferred tax asset

	£'000
At 1 October 2008	95
Adjustments relating to prior periods	(11)
At 30 September 2009	84

Lion/Stove Acquisition Limited

13. Derivative financial instruments

Fair value of derivative financial instruments

The carrying values of derivative financial instruments at fair value through profit or loss classified as held for trading, and which do not meet the criteria for hedge accounting, in the balance sheet are as follows

	2009 £'000	2008 £'000
Current (liabilities)/assets		
Interest rate swap arrangements	(356)	49

14. Called up share capital

	2009 £	2008 £
Authorised		
100 (2008 100) ordinary shares of £1 each	100	100
Issued and fully paid		
1 (2008 1) ordinary share of £1 each	1	1

15. Share premium account

	2009 £'000	2008 £'000
Share premium account	6,973	6,973

16. Profit and loss account

	2009 £'000	2008 £'000
At 1 October 2008	(19,244)	(15,242)
Loss for the financial year	(9,632)	(4,002)
At 30 September 2009	(28,876)	(19,244)

Lion/Stove Acquisition Limited

17. Reconciliation of movements in total shareholders' deficit

	2009	2008
	£'000	£'000
Loss for the financial year	(9,632)	(4,002)
Opening total shareholders' deficit	(12,271)	(8,269)
Closing total shareholders' deficit	(21,903)	(12,271)

18. Contingent liabilities

At 30 September 2009, the company is guarantor with other group companies of bank loans totalling £122,687,000 (2008 £115,950,000) made to companies within the Lion/Stove Holdings Limited group

19. Parent undertakings and ultimate controlling party

The company's immediate parent undertaking is Lion/Stove Holdings Limited which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated group accounts of Lion/Stove Holdings Limited are available from its registered office at 38 Barnard Road, Norwich, NR5 9JP, United Kingdom

The ultimate parent undertaking is Lion/Stove Cayman LP, a partnership registered in the Cayman Islands. The directors regard the ultimate controlling party to be certain funds managed by, or advised by, Lion Capital LLP