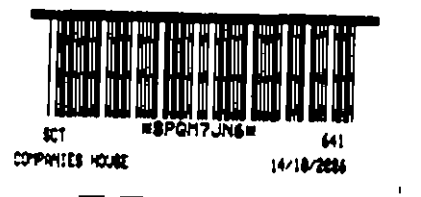


CASTLE MacLELLAN FOODS LIMITED

Report and Financial Statements

31 December 2005

Deloitte & Touche LLP
Newcastle upon Tyne



REPORT AND FINANCIAL STATEMENTS 2005

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H W Roberts	(Managing Director)
E Volden	(Chairman)

SECRETARY

L Hayes

REGISTERED OFFICE

Riverside
Dee Walk
Kirkcudbright
DG6 4DR

BANKERS

DnBNor
20 St Dunstan's Hill
London
EC3R 8HY

SOLICITORS

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

AUDITORS

Deloitte & Touche LLP
Newcastle upon Tyne

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005

PRINCIPAL ACTIVITY

The principal activity of the company remains the manufacture and sale of pâté

REVIEW OF BUSINESS AND FUTURE PROSPECTS

Market pressures continue to put pressure on the business' underlying profitability and the company continues to strive to deliver additional returns

The company's strategy continues to be to capitalise on its strengths as a flexible, innovative food manufacturer and development opportunities will continue to be pursued in 2006 and beyond in line with market requirements

RESULTS AND DIVIDENDS

The results for the year are set out on page 5 The directors recommend the payment of a dividend for the year of £108,922 (2004 £147,983)

RESEARCH AND DEVELOPMENT

The company is committed to development activities to secure its position in the market in which it operates

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year are given below

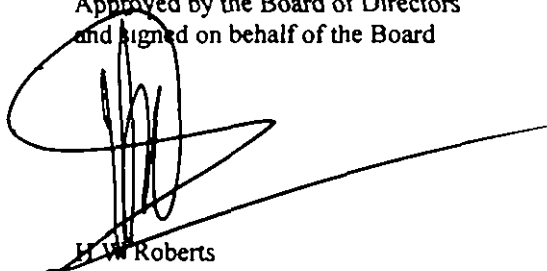
H W Roberts	(Managing Director)
L Stråtveit	(Chairman resigned 9 February 2005)
E Volden	(Chairman appointed 9 February 2005)

None of the directors had any interest in the shares of the company or in the share capital of Kavli Holding A/S, the ultimate parent company and its subsidiaries at 1 January 2005 or 31 December 2005

AUDITORS

A resolution to re appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



H W Roberts
Director

31st May 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board



E Volden

Director

31st May 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CASTLE MacLELLAN FOODS LIMITED

We have audited the financial statements of Castle MacLellan Foods Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

2 June 2006

CASTLE MacLELLAN FOODS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005	2004
		Total £	£
TURNOVER	2	5,751,020	6,007,240
Net operating expenses	3	5,445,584	(5,748,068)
Operating profit		305,436	259,172
Interest receivable and similar income		9,035	3,646
Interest payable and similar charges	6	(92,085)	(101,535)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		222,386	161,283
Tax on profit on ordinary activities	7	(72,118)	(52,361)
PROFIT FOR THE FINANCIAL YEAR	18	150,268	108,922

All activities derive from continuing activities

There are no recognised gains and losses other than the loss for the current financial year and profit for the preceding financial year and therefore no separate statement of total recognised gains and losses has been presented

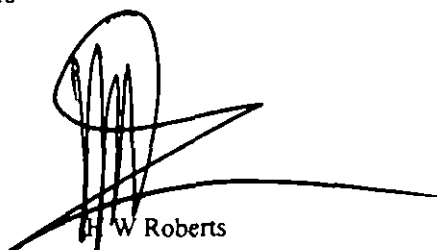
BALANCE SHEET
31 December 2005

	Note	2005	2004
		£	As restated £
FIXED ASSETS			
Tangible assets	9	1,984,081	1,990,048
CURRENT ASSETS			
Stocks	10	403,762	402,596
Debtors	11	1,838,036	1,564,368
Cash at bank and in hand		85	46,131
		<u>2,241,883</u>	<u>2,013,095</u>
CREDITORS: amounts falling due within one year	12	<u>(1,818,617)</u>	<u>(1,630,471)</u>
NET CURRENT ASSETS		<u>423,266</u>	<u>382,624</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,407,347</u>	<u>2,372,672</u>
CREDITORS. amounts falling due after more than one year	13	(1,246,000)	(1,358,500)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(180,324)	(186,093)
DEFERRED INCOME	15	<u>(342,145)</u>	<u>(230,547)</u>
NET ASSETS		<u>638,878</u>	<u>597,532</u>
CAPITAL AND RESERVES			
Called up share capital	17	145,000	145,000
Capital redemption reserve	18	120,000	120,000
Profit and loss account	18	373,878	332,532
EQUITY SHAREHOLDERS' FUNDS	19	<u>638,878</u>	<u>597,532</u>

These financial statements were approved by the Board of Directors on 31st May 2006
Signed on behalf of the Board of Directors



E Volden
Director



H W Roberts
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in both the current and prior year, with the exception of the adoption of Financial Reporting Standard No 21, as explained in note 28.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) from the requirement to produce a cash flow statement.

Turnover

Turnover, which excludes VAT, represents the value of goods invoiced to customers during the period, less returns.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

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

	%
Freehold buildings	2.5
Plant and machinery	10 33 33

Freehold land is not depreciated.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises the invoiced value of goods purchased plus direct labour and attributable overheads, where applicable. Net realisable value is based upon estimated selling price in the normal course of business after allowing for disposal costs.

Foreign currencies/exchange

Liabilities arising in overseas currencies are converted into sterling at the exchange rate ruling on the date the goods entered the United Kingdom. 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 balances are translated into sterling at the rate of exchange ruling at that date.

Taxation

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 balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet 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 taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more than likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates two defined contribution pension schemes for employees. The funds of the schemes are administered by Trustees and are separate from the company.

Pension costs in respect of these schemes are charged to the profit and loss account in the year in which they are incurred.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the useful life of the related asset. Grants received in respect of specific projects are treated as deferred income and credited to the profit and loss account over the duration of the project. Other grants are credited to the profit and loss account when received.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2. TURNOVER

	2005 £	2004 £
United Kingdom	5,664,218	6,007,240
Europe	86,802	
	<u>5,751,020</u>	<u>6,007,240</u>

3. NET OPERATING EXPENSES

	2005 £	2004 £
Changes in stocks of work in progress and finished goods	2,417	21,094
Raw materials	2,790,723	2,984,891
Staff costs (note 5)	1,122,779	1,238,367
Amortisation of government grants (note 15)	(60,166)	(27,438)
Depreciation charge for the year		
Tangible owned fixed assets	289,821	251,767
Other operating charges	1,212,051	1,145,637
Development expenditure	70,456	81,883
Hire of plant and machinery operating leases	12,503	15,574
Auditors' remuneration		
Audit	5,000	3,000
Loss on sale of tangible fixed assets		33,293
Costs associated with legal dispute (note 4)	350,000	
Income arising from legal dispute (note 4)	(350,000)	
Net operating expenses	<u>5,445,584</u>	<u>5,748,068</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

4. COSTS ASSOCIATED WITH LEGAL DISPUTE

During 2005, the company became involved in a legal dispute with one of its suppliers. The charge for the year was £350,000 (2004: £Nil). An amount of £153,128 is included in accruals which represents outstanding professional and other costs which the company is liable to pay in 2006. This dispute has been resolved in 2006 with a settlement of £350,000 being received to fully cover the costs incurred.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £	2004 £
Directors emoluments		
Aggregate emoluments (including benefits in kind)		
The average number of people employed by the company (including directors) during the year was:	No.	No.
Production	58	64
Sales	2	3
Administration	7	7
	<u>67</u>	<u>74</u>
Staff costs during the year:	£	£
Wages and salaries	1,009,536	1,111,837
Social security costs	88,596	99,507
Other pension costs (see note 16)	24,647	27,023
	<u>1,122,779</u>	<u>1,238,367</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Interest payable on overdrafts	9,058	7,950
Interest payable on group loans	83,027	93,585
	<u>92,085</u>	<u>101,535</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
Current tax:		
United Kingdom corporation tax at 30%		63,772
Group relief	76,358	
Under provision in respect of prior years		
Current	1,529	459
	<u>77,887</u>	<u>64,231</u>
Deferred tax		
Deferred taxation at 30%	(5,936)	(11,729)
Under/(over) provision in respect of prior years	167	(141)
	<u>72,118</u>	<u>52,361</u>

The tax assessed is higher (2004 higher) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2004 30%). The differences are explained below

	2005	2004
	£	£
Profit before taxation	<u>222,386</u>	<u>161,283</u>
Tax at 30% thereon	66,716	48,385
Expenses not deductible for tax purposes	3,706	3,658
Capital allowances in excess of depreciation	7,298	6,761
Movement in short term timing differences	(1,362)	4,968
Prior period adjustments	1,529	459
	<u>77,887</u>	<u>64,231</u>
Current tax charge for the period		

8. DIVIDENDS

	2005	2004
	£	As restated £
Ordinary:		
Final proposed dividend of 75 lp per share (2004 102 lp)	<u>108,922</u>	<u>147,983</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 2005	876,675	2,304,103	3,180,778
Additions		283,854	283,854
At 31 December 2005	876,675	2,587,957	3,464,632
Accumulated depreciation			
At 1 January 2005	149,666	1,041,064	1,190,730
Charge for the year	20,769	269,052	289,821
At 31 December 2005	170,435	1,310,116	1,480,551
Net book value			
At 31 December 2005	706,240	1,277,841	1,984,081
At 31 December 2004	727,009	1,263,039	1,990,048

Included in the total net book value above was £nil (2004 £nil) in respect of assets held under finance leases or hire purchase contracts. In the opinion of the directors the book value of the land and buildings above is not significantly different to the market value.

10. STOCKS

	2005 £	2004 £
Raw materials and consumables	212,083	179,950
Packaging	117,884	146,434
Work in progress	701	4,507
Finished goods and goods for resale	73,094	71,705
	<u>403,762</u>	<u>402,596</u>

11. DEBTORS

	2005 £	2004 £
Trade debtors	1,252,879	1,317,132
Amounts owed by group undertakings	4,719	76,834
Other debtors	380,504	57,326
Prepayments	199,934	113,076
	<u>1,838,036</u>	<u>1,564,368</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	As restated £
Bank loans and overdraft	310,979	
Trade creditors	668,328	830,488
Amounts owed to group undertakings	322,036	582,889
Corporation tax		20,772
Other taxes and social security	55,726	51,453
Accruals	461,548	144,869
	<u>1,818,617</u>	<u>1,630,471</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Amounts owed to group undertakings	<u>1,246,000</u>	<u>1,358,500</u>

Amounts due to group undertakings include an intra group loan of £1,358,500 (2004 £1,471,000). This loan is unsecured and due for repayment by 30 September 2014. The loan attracts interest charges at a margin of 1.25% above LIBOR. The effective rate as at 31 December 2005 was 5.75%. The maturity of this loan is given below.

	2005	2004
	£	£
Repayable as follows		
Within one year	112,500	112,500
In more than one year but not more than two years	135,000	112,500
In more than two years but not more than five years	423,000	405,000
After more than five years	688,000	841,000
	<u>1,358,500</u>	<u>1,471,000</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2005	2004
	£	£
Deferred taxation		
At 1 January 2005		186,093
Profit and loss account charge for the year		(5,769)
At 31 December 2005		<u>180,324</u>
	<u>2005</u>	<u>2004</u>
	£	£
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	196,816	197,963
Short term timing differences	(16,492)	(11,870)
	<u>180,324</u>	<u>186,093</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

15. DEFERRED INCOME

	£
Government grants:	
At 1 January 2005	230,547
Grants received in year	171,764
Amortisation in year	(60,166)
	<u>342,145</u>
At 31 December 2005	<u>342,145</u>

16. PENSION AND SIMILAR OBLIGATIONS

The company operates two funded defined contribution pension schemes. Contributions charged in the profit and loss account in the year totalled £24,647 (2004 £27,023).

At 31 December 2005 a prepayment of £1,839 (2004 £314) was included in the balance sheet in respect of pension payments.

17. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised:		
370,000 ordinary shares of £1 each	<u>370,000</u>	<u>370,000</u>
Called up, allotted and fully paid:		
145,000 ordinary shares of £1 each	<u>145,000</u>	<u>145,000</u>

18. RESERVES

	Capital redemption reserve £	Profit and loss account £
At 1 January 2005 (as restated)	120,000	332,532
Profit for the financial year		150,268
Dividends		(108,922)
	<u>120,000</u>	<u>373,878</u>
At 31 December 2005	<u>120,000</u>	<u>373,878</u>

The capital redemption reserve represents the nominal value of preference shares redeemed.

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005 £	2004 As restated £
Profit for the financial year	150,268	108,922
Dividends	(108,922)	(147,983)
	<u>41,346</u>	<u>(39,061)</u>
Net increase to / (reduction in) equity shareholders' funds	41,346	(39,061)
Opening equity shareholders' funds	<u>597,532</u>	<u>636,593</u>
Closing equity shareholders' funds	<u>638,878</u>	<u>597,532</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

20. FINANCIAL COMMITMENTS

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

	2005 £	2004 £
Expiring in one year		5,021
Expiring within two to five years	13,178	
	<u>13,178</u>	<u>5,021</u>

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose details of intra group transactions. There are no other related party transactions which are required to be disclosed in the financial statements under FRS 8 or any other requirements.

22. ULTIMATE AND IMMEDIATE PARENT COMPANIES

The company is a wholly owned subsidiary of Kavli Limited, a company registered in England. The ultimate parent company is Kavli Holding A/S, a company incorporated in Norway.

The parent undertaking of the largest group which includes the company, and for which group accounts are prepared, is Kavli Holding A/S. The parent undertaking of the smallest such group is Kavli Limited.

Copies of the financial statements for either group can be obtained from

Kavli Holding A/S
 Postboks 7360
 5020 Bergen
 Norway

The ultimate controlling party of Kavli Holding A/S is O Kavli og Knut Kavli's Almennyttige Fond established in Norway.

23. RESTATEMENT OF COMPARATIVES

The adoption of FRS 21 has required that any dividends declared after the balance sheet date shall not be recognised as a liability at the balance sheet date. As a result of this change in accounting policy, the comparatives have been restated as follows:

Consolidated Balance Sheet

	2004 £ as previously reported	2004 £ adjustments	2004 £ as restated
Dividend payable	<u>(108,922)</u>	<u>108,922</u>	
Closing equity shareholders' funds	<u>488,610</u>	<u>108,922</u>	<u>597,532</u>
Opening equity shareholders' funds	<u>488,610</u>	<u>147,983</u>	<u>636,593</u>

This change in accounting policy has had no impact on the comparative profit for the financial year or statement of total recognised gains and losses.