

WT FOODS PLC
ANNUAL REPORT & ACCOUNTS 2000

94632



A17
COMPANIES HOUSE

WATJ1JTW9K

0459
14/09/00

CONTENTS

Chairman's Statement	2
Chief Executive's Review	4
Financial Review	14
Directors	16
Report of the Directors	17
Corporate Governance	19
Auditors' Report	22
Group Profit and Loss Account	23
Statement of Total Recognised Gains and Losses	23
Group Balance Sheet	24
Parent Company Balance Sheet	25
Group Cash Flow Statement	26
Notes to the Accounts	27
Notice of Meeting	42

SECRETARY AND REGISTERED OFFICE

A R Martin

2 Apex Point, Travellers Lane, Welham Green, Hatfield, Herts AL9 7HF

Tel: 01707 261770 Fax: 01707 260193

Registered Number 94632

BANKERS

National Westminster Bank plc
16 South Parade
Nottingham NG1 2JX

AUDITORS

BDO Stoy Hayward
7-9 Irwell Terrace, Bacup
Lancashire OL13 9AJ

STOCKBROKERS

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

REGISTRARS

Connaught St Michaels Limited
Cresta House, Alma Street, Luton
Bedfordshire LU1 2PU

SOLICITORS

edge ellison
18-19 Southampton Place
London WC1A 2AJ

FINANCIAL PR

Buchanan Communications Limited
107 Cheapside
London EC2V 6DT

WT Foods is the UK's premier company
in the fast growing ethnic and
speciality foods sector.

We both manufacture and
distribute products using authentic
ingredients sourced from around
the world.

We operate in all sectors of the
market providing ambient, fresh, chilled
and frozen products of the
highest quality.

Our aims are to grow organically and
by acquisition to become
a leading international player and to
meet the aspirations of our
customers, suppliers, employees and
the communities in which we work.

Our ultimate objective is to
achieve sustained growth in
shareholder value

CHAIRMAN'S STATEMENT

I am pleased to announce record results for the year ended 31 March 2000, with increased levels of turnover, profits, adjusted earnings per share and dividend payment.

Pre-tax profit of the Group before goodwill amortisation amounted to £9.0 million (1999: £5.4 million), an increase of 67%, which included the first full year contribution from Noon.

Turnover increased 75% to £91.4 million (1999: £52.1 million) with like for like turnover increasing by 11% over last year.

I am particularly pleased to report that within the total pre-tax profit, Noon achieved its target of £5 million adjusted profit before tax for the year ended 31 March 2000 and accordingly the second tranche of deferred consideration of £5 million in unsecured loan notes will become payable in full.

Pre-tax profit after charging goodwill amortisation is £6.7 million, an increase over last year of 40% (1999: £4.8 million).

Adjusted earnings per share before goodwill amortisation rose 6% to 4.21p (1999: 3.96p), while basic earnings per share, calculated after goodwill amortisation, declined 21% to 2.65p (1999: 3.37p),

The Board is recommending an increase in the final dividend to 1.10p (1999: 1.0p) net per share to be paid on 2 August 2000 to holders of ordinary shares registered at 7 July 2000. This will give a total dividend for the year of 1.85p per ordinary share, an increase of 6% over last year (1999: 1.75p).

The Group's financial position remains strong and gearing at the year end was 56% (1999: 62%), with net indebtedness of £24.5 million (1999: £26.5 million). Interest cover of 7 times was achieved.

In what has been a difficult year generally for the food industry, I am delighted at the Group's strong progress and most notably with Noon achieving its £5 million profit target.

Since the year end we have announced the £7.5 million acquisition of Rio Pacific incorporating Funnybones. This is another important strategic step in our development, as it provides the Group with a strong presence in the fast growing food service sector. It also brings American cuisines to the Group and will, very importantly, provide a broader customer base for the other Group divisions.

Current trading is in line with our expectations, ahead of last year. We are very optimistic for the year as a whole.

PHILIP LOVEGROVE
CHAIRMAN
27 JUNE 2000

CHIEF EXECUTIVE'S REVIEW

WT has had another year of growth in what has been a difficult year for the food industry. Issues such as genetic modification and general food safety remain firmly in the spotlight. The Supermarket sector has seen almost zero price inflation due to the downward pressure on prices caused by intense competition and many customers have undertaken supplier rationalisation to reduce cost by streamlining their supply chains.

Against this difficult background our results this year are good. Turnover increased by 11% on a like for like basis with continued growth being achieved in all sectors of our business. Exports performed particularly well in the face of continued Sterling pressure growing by 5% overall.

Within the process of supplier rationalisation, we have done well, gaining additional listings for our Brands and products extending our customer base. Our strategy of developing high growth markets, such as Chilled and Ethnic foods, and our expertise in these categories, together with our rapid growth to a turnover exceeding £90 million, has played an important part in securing our position as the principal supplier in many cases.

We have completed our first year under the new divisional structure and have seen many benefits arising from this. We have been able to focus resource and effort more effectively and have increased both the number of products manufactured in-house and our manufacturing efficiency overall. In addition we have been able to exploit more of

the Group's synergies in other areas such as sales, buying, marketing and logistics. Our investments in capital equipment and the marketing of our Brands have supported growth in sales and helped protect margins. We will continue to invest where necessary to enhance performance and drive growth.

Shortly after the year end, and in line with our strategy of building a strong base in the higher growth areas of the food industry, we acquired Rio Pacific/Funnybones. This gives us significant presence and distribution in the Food Service sector and creates an additional division within the Group. It enhances our business by broadening our customer base and bringing to the Group additional cuisines from the Americas.

Once again the expertise, commitment and loyalty of our employees has ensured that our company maintains a leading position in its sectors and categories and we thank them for, and appreciate, their individual efforts and contributions.

Significant opportunities exist for further growth and development and the Board is confident of a further strong performance during next year.

Herbs and Spices

A good performance from Bart Spices saw turnover increase 6% to £7.7 million with margin being maintained. Investment in our manufacturing facility at Corwen led to increased efficiency and facilitated the manufacturing of additional products for the

Group. A second coconut mill has been installed to increase capacity. The Bart branded business has done particularly well, assuming market leadership in a number of areas. Relaunches in Supermarket own label ranges have seen our market share increase making Bart the dominant supplier. Product launches continue with extension of the Thai doy pack range to include Thai chicken curries. Distribution of organic products has increased whilst manufacturing investment has enabled us to enter the spice 'refill' market with products now listed by our major customers.

Chilled and Frozen

We have now completed our first full year with Noon as part of WT. Its integration has been seamless and it has quickly become an integral and valued part of the Group. Like for like turnover grew 19% to £45.7 million and margins were enhanced. The Noon manufacturing facilities are being used for other Group companies and range extensions into other cuisines have taken place. Noon has also entered new sectors, gaining business in food service and convenience stores, as well as winning new business within the Supermarket sector. Export business increased by 68% and the company won the 'Food From Britain Export Award' for the best new exporter category. Range relaunches have taken place with major customers resulting in extended listings and Noon's category expertise continues to drive growth.

Grocery

Our business in this sector grew 5% to £30.7 million. Downward price pressure on some of our Oriental lines in the wholesale sector has been intense and this, together with increased marketing investment at Enco, led to a slight reduction in margin overall.

Our major brands performed very well. During the year, we started a strategic marketing campaign to concentrate on consumer led promotional activity rather than trade incentives. This has led to Nurishment gaining wider distribution, including additional UK supermarket and garage forecourt listings, and good like for like growth being achieved.

Encona Hot Pepper Sauce has seen very significant distribution increases gained on the back of additional marketing and strong consumer promotions. Again, good growth was achieved.

Importantly, our Silk Road brand now accounts for 15% of Chadha sales and continues to grow well with wide acceptance. A second Fortune Cookie line was commissioned at Eghoyan's and this business continues to grow, with new export markets being opened during the year.

Bakeries

Following the move away by La Mexicana from supplying major distributors under their own label, which competed with our own brand, this division has seen an underlying turnover increase of 8% to £7.3 million. La Mexicana achieved new UK supermarket listings and increased its customer base significantly in the industrial sector.

Sterling strength in Europe has affected export turnover, although good volume gains were made. New investment in plant enabled production of a new ambient tortilla and chapatti, both of which were listed by a major UK supermarket during the year.

Turnover at Eghoyan's has been steady, where major refurbishment work was undertaken, together with the installation of a Naan Bread production line. The focus during the year at Eghoyan's has been in equipping the business to enable it to expand into additional markets, as well as providing a greater range of products in the flat bread sector. This was successfully accomplished during the year, although these increased costs temporarily reduced margins. The business is now positioned for further growth and margin enhancement.

On the 4th May 2000 the Group acquired Rio Pacific/Funnybones giving us a significant presence in the food Service sector and creating an additional division within the Group.

Rio Pacific/Funnybones was formed in 1984 supplying pork baby back ribs to restaurants – hence the name. An interest in the American Theme quickly led to additional lines being imported from the USA and Mexico.

Their product list now encompasses complete ranges of American, Cajun and Tex-Mex foods – from appetizers through to desserts – enabling them to offer customers a comprehensive service which includes menu design.

Based in Watford, with a northern depot in Nottinghamshire, Funnybones operates a fleet of 30 mixed temperature vehicles offering customers a national delivery service. Customers include National Restaurant Chains, Pub Chains, Clubs and Cinemas in the UK and they export to Continental Europe and the Middle East.

KEITH STOTT
CHIEF EXECUTIVE
27 JUNE 2000

FINANCIAL REVIEW

RESULTS

Group profit on ordinary activities before taxation was £6.7 million (1999: £4.8 million) on sales of £91.4 million (1999: £52.1 million), representing increases of 40% and 75% respectively.

The results are stated after goodwill amortisation of £2.4 million arising on the acquisition of Noon. We have decided that goodwill arising on the acquisition of Noon will be amortised over a period of twenty years, and have included amortised goodwill of £44.4 million within Intangible Assets in the Group Balance Sheet.

Operating profits before goodwill amortisation increased by 74% to £10.6 million (1999: £6.1 million), reflecting the first full year's contribution from Noon.

The taxation charge for the year was £2.59 million which, taking into account the goodwill amortisation, amounts to 29% of profit before taxation, (1999: 29%).

EARNINGS PER SHARE

In order to show the underlying performance of the Group, we have included an adjusted earnings per share which is calculated on profit before goodwill amortisation.

At 4.21p per share, this shows an increase of 6% over the equivalent figure last year (1999: 3.96p).

The basic earnings per share of 2.65p represents a decrease of 21% over the comparative figure, reflecting the increase in the weighted average of Ordinary Shares in issue for the year following the acquisition of Noon in January 1999.

NET DEBT AND BANK FACILITIES

At 31 March 2000, the Group had net indebtedness of £24.5 million and gearing of 56% (1999: 62%). Net indebtedness includes issued secured Loan Notes of £4.0 million, in respect of the acquisition of Eghoyan's and issued first tranche secured Loan Notes of £2.5 million and a provision for second tranche unsecured Loan Notes of £5.0 million in respect of the acquisition of Noon.

Last year the Group negotiated a £12.5 million loan facility in order to part finance the acquisition of Noon. At 31 March 2000, £8.8 million of this facility was outstanding, with a further £2.5 million being available to fund the redemption of the first tranche Loan Notes with regard to the acquisition of Noon. The medium term loan was repayable by instalments over seven years and bears interest at 1½% over bank base rate.

The Group is subject to certain financial covenants in respect of its medium term bank debt, relating principally to interest, debt service costs, asset cover and tangible net worth.

The Group has operated within the covenants during the year.

CASH FLOW

The cash flow set out on page 26 shows a net inflow from operating activities of £10.6 million. Dividend payments were £2.7 million, and interest payments £1.5 million. Capital expenditure totalled £1.6 million and £0.2 million was received from disposals of fixed assets.

There was a decrease in net cash of £1.4 million during the year, although net debt reduced from £26.5 million last year to £24.5 million at 31 March 2000.

POST BALANCE SHEET EVENTS

On the 4th May 2000, the Group announced the acquisition of Rio Pacific Food Services, incorporating Funnybones, for a consideration of £7.5 million. At the same time the Group entered into a new £30.0 million syndicated bank financing facility with National Westminster Bank and Rabobank, which is based over a medium term period of seven years and bears interest at 1½% over LIBOR.

The facility refinanced existing Group loans of £9.9 million and the secured Noon and Eghoyan loan notes of £2.25 million and £4.0 million respectively. The financing also provided funds for the Rio Pacific acquisition. The remainder of the facility is available for further acquisitions.

ROD GARLAND
FINANCE DIRECTOR
27 JUNE 2000

DIRECTORS

Philip Lovegrove, aged 62, was appointed the non-executive chairman of WT Foods in April 1988. He is the chairman of Video Tape Recording plc and his other directorships include Ashtead Group plc and Natwest Enterprise Trust plc.

Keith Stott (Chief Executive), aged 41, was appointed to the board in June 1996 and has worked in the food industry since 1982. From 1982 to 1986 he was sales director of McDonalds Fish and Game. From 1986 to 1989 he was commercial director of Wirral Seafoods. He joined B.E. International Foods in 1989 as managing director of its subsidiary J. Van Smirren, becoming group development director in 1993.

Rod Garland (Finance Director), aged 47, was appointed to the board in June 1996. He has over 21 years' experience in the food industry. He joined B.E. International Foods as financial controller in 1977 and was appointed finance director in 1986.

John Brennan (Marketing Director), aged 56, joined the board in June 1996. He has over 25 years' experience in the food industry, specialising in the development, sourcing and marketing of ethnic and speciality foods products. From 1972 to 1987 he held positions with RHM Foods including that of commercial director of its ethnic foods company, J. A. Sharwood & Co. He joined B.E. International Foods in 1987 as sales and marketing director.

Edward Shaw (Executive Director), aged 51, was appointed to the board in January 1995 having previously had over 20 years' experience with Bart Spices, becoming its sales director in 1976 and its managing director in 1995.

Stanley Bard, aged 73, became a non-executive director in February 1993. He has had a long career in the food industry including having been chairman and managing director of Hazelwood Confectionery and Snacks.

Michael Morgan, aged 62, became a non-executive director in October 1997. He was previously international buying director for the J. Sainsbury Group.

G. K. Noon MBE, aged 64, became a non-executive director in January 1999 on the acquisition of Noon Group plc, which he founded in 1989.

The directors present their report, together with the audited accounts of the Group, for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal companies in the Group and their activities are detailed on page 41. Reviews of the year and comments on future developments are contained in the Chairman's Statement, Chief Executive's and Financial Reviews on pages 2 to 15.

RESULTS AND DIVIDENDS

The results for the year are set out in the Group profit and loss account on page 23.

An interim dividend of 0.75p per ordinary share was paid on 31 December 1999 (1999: 0.75p).

The directors recommend a final dividend of 1.1p per ordinary share (1999: 1.0p). Subject to approval by the members at the Annual General Meeting, the dividend will be paid on 2 August 2000 to shareholders on the register at 7 July 2000.

EVENTS SINCE THE YEAR END

On 4 May 2000, the company acquired 100% of the shares of Rio Pacific Food Services Limited for a consideration of £7.5 million. New syndicated medium term loan facilities have been arranged by National Westminster Bank plc which have been used to fund this acquisition and to restructure Group borrowings. Additional information is provided in note 33 to the accounts.

SHARE CAPITAL

Movements in the share capital during the year are disclosed in note 21 to the accounts.

FIXED ASSETS

The directors are of the opinion that the current value of the Group's land and buildings is not significantly different from their net book value.

DIRECTORS AND THEIR INTERESTS

The beneficial shareholdings, including immediate family interests, of the directors who held office at 31 March 2000 were as follows:

	31 March 2000			1 April 1999		
	Ordinary Shares	Deferred Shares	Options	Ordinary Shares	Deferred Shares	Options
P A Lovegrove	750,573	-	-	750,573	-	-
K J Stott	101,579	1,446,456	790,000	101,579	1,391,456	790,000
R J Garland	91,579	1,446,456	790,000	91,579	1,391,456	790,000
J E Brennan	185,368	1,446,455	790,000	185,368	1,391,455	790,000
E C V Shaw	440,000	1,446,455	790,000	440,000	1,391,455	790,000
S Bard	2,299,392	-	-	2,299,392	-	-
M D Morgan	68,475	-	-	38,475	-	-
G K Noon	13,875,000	-	-	13,875,000	-	-

Mr Bard's shareholding includes 99,392 ordinary shares held non-beneficially (1999: 99,392 ordinary shares).

Mr Brennan's shareholding includes 48,000 ordinary shares held non-beneficially (1999: 48,000 ordinary shares).

Mr Noon's shareholding includes 1,800,000 ordinary shares held non-beneficially (1999: 1,800,000 ordinary shares).

Mr Shaw's shareholding includes 220,000 ordinary shares held non-beneficially (1999: 220,000 ordinary shares).

There have been no further changes in the above shareholdings between 31 March and 27 June 2000.

In accordance with the company's Articles of Association, which require all directors to be re-elected every three years, Messrs Lovegrove and Stott retire by rotation, and will seek re-election at the forthcoming Annual General Meeting. Mr Stott has twelve months outstanding on his service contract. Mr Bard offers himself for re-election in accordance with the company's Articles of Association.

SUBSTANTIAL SHAREHOLDINGS

The company has been notified of the following holdings which at 27 June 2000 represented 3% or more of the company's issued ordinary share capital:

	Number of ordinary shares	% of issued ordinary share capital
The Second Causeway Smaller Quoted Companies Fund	17,262,778	11.35
Caledonia Investment plc	11,000,000	7.23
Standard Life Investments Limited	9,888,136	6.50
The Equitable Life Assurance Society	6,698,879	4.40

EMPLOYEES

Employees are recognised as key assets of the Group and their quality and motivation are essential for the Group to compete successfully in its markets. The Group's employment policy is designed to attract and retain high quality staff and to give equal opportunities for employment, training and promotion to all employees regardless of sex, race and religion, and including disabled persons having regard to their particular abilities. To assist in achieving corporate objectives, the Group maintains and develops formal and informal systems of communication with its employees to discuss matters of mutual interest.

SUPPLIER PAYMENT POLICY

The Group's policy is normally to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into binding contracts and the Group's policy is to adhere to the payment terms providing the relevant goods or services have been supplied in accordance with the contracts. At 31 March 2000, the trade creditors represented 52 days' annual purchases (1999: 51 days).

YEAR 2000

The directors recognised the year 2000 problem as a potentially serious issue, and took positive steps to minimise the risks to the business of the date change to the year 2000. Where problems were identified, upgrading or replacement took place with the additional costs of compliance not exceeding the Group's original estimates. Since the end of 1999 no problems have been experienced by any Group company. The directors, however, are continuing to monitor the issue both internally and externally.

ANNUAL GENERAL MEETING - SPECIAL BUSINESS

Formal notice of the forthcoming Annual General Meeting is given on page 42. Resolution 7 proposes as a Special Resolution an amendment to the Company's Memorandum of Association. The effect of the amendment is to provide the Company with a specific power to enter into guarantees and charge its assets in support of those guarantees. The Notice of Meeting sets out at Resolution 7 the full text of the proposed amendment.

Resolution 8 proposes as a Special Resolution to authorise the directors to allot equity securities (being shares or rights to acquire or convert into shares) for cash (free from the statutory pre-emption rights of shareholders otherwise applicable on allotment of equity securities for cash) up to a limit of a total of equity securities equal to £1,901,872, representing 5% of the current issued share capital.

For various legal and practical reasons it may not be possible for new shares to be allocated pro rata to existing shareholders, particularly shareholders resident overseas and accordingly this resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate any rights issue or similar issue of shares. The authority given by this resolution will expire on the date of the next Annual General Meeting or on 26 October 2001 whichever is the earlier. The directors intend to seek renewal of this power at subsequent Annual General Meetings.

The directors consider that both of the above proposals to be considered at the Annual General Meeting are in the best interests of the Company and the shareholders as a whole and recommend that you vote in favour of the proposed resolutions, as they intend to do in respect of their own beneficial holdings.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

There have been no political contributions during the year and charitable donations amounted to £2,642 (1999: £2,246).

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that BDO Stoy Hayward be re-appointed as auditors of the company will be put to the Annual General Meeting.

APPROVED BY THE BOARD ON 27 JUNE 2000

ALAN MARTIN
SECRETARY



There is commitment to high standards of corporate governance throughout the Group. The Board confirms that, apart from as set out below, throughout the year ended 31 March 2000 the Group has complied with the provisions set out in Section 1 of the Combined Code.

The Group did not comply with the following aspects of the Code throughout the year ended 31 March 2000:

- a formal Nomination Committee has not been established. All new appointments to the Board are approved by the full Board.
- at the Annual General Meeting held in July 1999 the Board did not consider seeking shareholder approval of the Group's remuneration policy.
- The Group has decided to adopt the transitional approach for reporting on internal controls under the Combined Code issued by the London Stock Exchange in September 1999, and its report is set out below.

The Group is headed by a Board comprising eight members - a non-executive Chairman, the Chief Executive, three other executive directors and three non-executive directors, only one of whom is not entirely independent. The Board does not consider that this non-compliance with the Code undermines his effectiveness given the size of the Board. Mr S Bard has been nominated as the senior independent non-executive director. The Board therefore has a reasonable balance between executive and non-executive members and there is a clear division of responsibilities between Chairman and Chief Executive, such that no individual has unfettered powers of decision. The Board is supplied with information in a timely manner and in a form and quality to enable it to properly discharge its duties.

The Board meets at least six times each year and more frequently where business needs require. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. This includes matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals and appointments to subsidiary company boards.

Directors do take independent professional advice if necessary and at the company's expense. This is in addition to the access which every director has to the company secretary. The secretary is charged by the Board with ensuring that Board procedures are followed.

Full details of director's remuneration and a statement of the Group's remuneration policy are set out in the Remuneration Report on pages 20 and 21.

COMMUNICATION

The company enters into a regular dialogue with its major institutional investors and encourages private investors to communicate with the Board through the Annual General Meeting.

The Board always aims to present a balanced and understandable assessment of the company's position and prospects in its Annual and Interim Reports as well as in all other communications with its shareholders.

AUDIT AND INTERNAL CONTROL

The respective responsibilities of the directors and the auditors with the accounts are set out on pages 21 and 22 and the directors' statement on going concern appears on page 20.

The Group has an established framework of internal financial controls which are designed to provide reasonable but not absolute assurance against material misstatement or loss. These controls include:

- detailed budgets and plans which are approved by subsidiary and Group boards;
- regular consideration by the Board of actual results compared with budgets and forecasts;
- compliance by subsidiaries with Group operating procedures and policies;
- annual review of the Group's insurance cover;
- defined procedures for the appraisal and authorisation of capital expenditure; and
- regular reporting of borrowing and facilities to the Board.

The Board confirms that it is establishing procedures which by December 2000 will improve its risk management and implement the Turnbull Guidance. In this context, the Board will consider risk management and internal control on a regular basis and the procedures will comprise the following key elements:-

- an annual budgeting and medium and long term planning process;
- a financial and accounting controls manual setting out the principles of and minimum standard required by the Board for effective financial control;
- a risk management and compliance system incorporating a continuous assessment of business risks to assure the Board of the adequacy and effectiveness of internal controls.

The Board will be in a position to report its compliance with the guidance for the year ending 31 March 2001.

An Audit Committee, comprising of Mr P A Lovegrove, Mr S Bard and Mr M D Morgan has reviewed the effectiveness of the system of internal financial control from information provided by management and to a lesser extent by the external auditors.

GOING CONCERN

After making enquiries, the directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee is currently chaired by Mr P A Lovegrove and consists wholly of the non-executive directors. Its principal function is to determine the specific remuneration, benefits and terms of employment of the executive directors, and meets as appropriate and at least once a year. The Committee endeavours to offer competitive remuneration packages which are designed to attract, retain and motivate executive directors of the highest calibre and which are reviewed annually.

Remuneration for executives comprises basic salary, performance related bonus, pension benefits and other benefits in kind. The executive directors, in common with other senior staff in the Group, have been allotted Deferred Shares under the company's Share Incentive Scheme, which are convertible into Ordinary Shares, after a given period, upon the attainment of certain performance criteria. Following the approval of the financial statements for the year ended 31 March 2000 by the shareholders, the performance criteria will have been satisfied and the Deferred Shares will then become convertible into Ordinary Shares on a one for one basis. In addition, the new Unapproved Share Option Scheme, introduced last year, seeks to reward executives by granting options over Ordinary Shares which are exercisable after the satisfaction of appropriate performance criteria (note 22).

The executive directors each have service agreements with the company, which can be terminated by the company giving one year's notice. The non-executive directors have service agreements and their remuneration is determined by the executive directors.

Details of directors' remuneration are shown below and on page 21, directors' share options are given in note 22 and the directors' holdings of Deferred Shares are disclosed in the Directors' Report.

DIRECTORS' EMOLUMENTS

Summary

	2000 £'000	1999 £'000
Executive directors' emoluments	494	472
Non-executive directors' emoluments	85	72
Pension contributions	46	38
	625	582

DIRECTORS' EMOLUMENTS CONTINUED

Analysis

	Salaries and fees £'000	Benefits £'000	Total emoluments £'000	Pension contributions £'000	2000 Total emoluments and pension contributions £'000	1999 Total emoluments £'000	1999 Pension contributions £'000
Executive directors							
K J Stott	130	8	138	13	151	125	10
R J Garland	130	8	138	13	151	125	10
J E Brennan	100	9	109	10	119	111	9
E C V Shaw	100	9	109	10	119	111	9
Non-executive directors							
P A Lovegrove	23	-	23	-	23	23	-
S Bard	18	-	18	-	18	18	-
M D Morgan	27	-	27	-	27	27	-
G K Noon	17	-	17	-	17	4	-
Total	545	34	579	46	625	544	38

The company contributes to the defined contribution pension schemes of each of the executive directors.

Directors' emoluments shown above (excluding pension contributions) include £138,000 paid to the highest paid director (1999: £125,000). The directors' emoluments disclosed above exclude any amounts in respect of the Group incentive scheme (note 1(l)). Of the £69,000 charged to the profit and loss account, £48,000 relates to the executive directors.

DIRECTORS' INTEREST IN CONTRACTS

At 31 March 2000, Mr Noon had a beneficial interest in the deferred consideration of £7,500,000 relating to the acquisition of Noon Group plc. During the year ended 31 March 2000, Mr Noon has received interest of £83,000 from his beneficial holding of the First Tranche Loan Notes.

With the exception of Mr Noon's interest above, no director has had a material interest in any contract with any Group company other than service contracts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the Group, and of the profit or loss of the Group for the 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements on pages 23 to 41 which have been prepared on the basis of the accounting policies set out on pages 27 and 28.

We have also examined the disclosures relating to directors' emoluments contained within the report of the Remuneration Committee on pages 20 and 21.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 21, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance statement on pages 19 and 20 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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 Group'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 of the state of affairs of the company and of the Group as at 31 March 2000 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
BACUP
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
27 JUNE 2000

BDO Stoy Hayward

	Notes	2000 £'000	1999 £'000
Turnover	2	91,399	52,057
Operating profit	2		
Before goodwill amortisation		10,591	6,109
Goodwill amortisation		(2,364)	(559)
	2	8,227	5,550
Interest receivable and similar income	4	54	97
Interest payable and similar charges	4	(1,629)	(824)
Profit on ordinary activities before taxation	5	6,652	4,823
Taxation on profit on ordinary activities	7	(2,593)	(1,562)
Profit on ordinary activities after taxation		4,059	3,261
Minority interest		(23)	(19)
Profit for the financial year attributable to shareholders		4,036	3,242
Dividends	8	(2,814)	(2,126)
Retained surplus for the year	26	1,222	1,116
Earnings per share	9		
- Basic		2.65p	3.37p
- Adjusted		4.21p	3.96p
- Diluted		2.58p	3.36p
- Adjusted diluted		4.09p	3.94p

All amounts relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2000

	2000 £'000	1999 £'000
Profit for the financial year and total recognised gains	4,036	3,242

There is no material difference between the results reported above and those on a historical cost basis.

	Notes	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	10	44,417	46,849
Tangible assets	11	19,735	19,910
		64,152	66,759
Current assets			
Stocks	14	6,623	5,126
Debtors	15	12,846	11,439
Cash at bank and in hand		217	1,609
		19,686	18,174
Creditors (amounts falling due within one year)	16	(19,410)	(17,894)
Net current assets		276	280
Total assets less current liabilities		64,428	67,039
Creditors (amounts falling due after more than one year)	17		
Bank and other borrowings - non convertible		(15,311)	(19,240)
Bank and other borrowings - convertible		(5,000)	(5,000)
		(20,311)	(24,240)
Net assets		44,117	42,799
Capital and reserves			
Called up share capital	21	38,043	38,041
Share premium account	23	15,369	15,367
Other reserves	25	6,876	6,807
Profit and loss account	26	(16,376)	(17,598)
Shareholders' funds (including non-equity)		43,912	42,617
Equity minority interest		205	182
Total capital employed		44,117	42,799

APPROVED BY THE BOARD ON 27 JUNE 2000

K J STOTT

R J GARLAND

DIRECTORS

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	220	205
Investments	13	69,274	69,342
		69,494	69,547
Current assets			
Debtors	15	16,420	11,602
		16,420	11,602
Creditors (amounts falling due within one year)	16	(8,114)	(3,733)
Net current assets		8,306	7,869
Total assets less current liabilities		77,800	77,416
Creditors (amounts falling due after more than one year)	17		
Bank and other borrowings - non convertible		(13,180)	(15,778)
Bank and other borrowings - convertible		(5,000)	(5,000)
		(18,180)	(20,778)
Net assets		59,620	56,638
Capital and reserves			
Called up share capital	21	38,043	38,041
Share premium account	23	15,369	15,367
Revaluation reserve	24	1,049	1,049
Other reserves	25	193	124
Profit and loss account	26	4,966	2,057
Shareholders' funds (including non-equity)		59,620	56,638

APPROVED BY THE BOARD ON 27 JUNE 2000

K J STOTT

R J GARLAND

DIRECTORS

	Notes	2000 £'000	1999 £'000
Net cash inflow from operating activities	29	10,595	7,004
Returns on investments and servicing of finance			
Interest received		65	97
Interest paid		(1,241)	(621)
Hire purchase and finance lease interest		(369)	(125)
		(1,545)	(649)
Tax paid		(2,499)	(1,087)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,619)	(793)
Proceeds on disposal of tangible fixed assets		201	111
		(1,418)	(682)
Acquisitions and disposals			
Acquisition of subsidiary undertaking	10	68	(33,831)
Net bank overdraft acquired with subsidiary		-	(2,962)
		68	(36,793)
Equity dividends paid		(2,662)	(1,410)
Net cashflow before financing		2,539	(33,617)
Financing			
Issue of share capital (net of expenses)		4	27,352
Net bank loan advanced		-	9,875
Bank loan repaid		(1,834)	(3,349)
Capital element of finance lease payments	31	(2,101)	(812)
Net cash (outflow)/inflow from financing		(3,931)	33,066
Decrease in cash	30	(1,392)	(551)

1 STATEMENT OF ACCOUNTING POLICIES

(a) Accounting Convention

The accounts have been prepared using the historical cost convention of accounting, modified by the revaluation of certain fixed assets.

(b) Basis of Consolidation

Group accounts have been prepared in the form of consolidated accounts incorporating those of the parent company and all of its subsidiary undertakings. Results of subsidiary undertakings acquired are included from the date of acquisition. The separable net assets of subsidiary undertakings acquired are included in the Group accounts at their fair value to the Group as at the date of acquisition. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented.

(c) Goodwill and Intangible Fixed Assets

Goodwill acquired, representing the difference between the fair value of the net assets acquired and the total costs of acquisition, is capitalised as an intangible asset and amortised. The goodwill is being amortised over a period of 20 years, which is estimated to be the useful life of the asset. As permitted by FRS 10, the Group has not applied the accounting policy to goodwill already written off against reserves in previous years. This goodwill will be charged to the profit and loss account on the subsequent disposal of the related business.

(d) Fixed Asset Investments

Investments in subsidiary undertakings are stated at cost or directors' valuation.

The cost of the subsidiary undertakings comprises the aggregate of cash consideration, costs, and the nominal value of shares issued. Costs include attributable overheads of the company incidental to each acquisition.

(e) Fixed Assets

In the Group balance sheet, tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation, less the estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Freehold land	Nil.
Freehold buildings	2% per annum.
Leasehold premises	Over the term of the lease.
Plant and machinery	10% - 20% per annum.
Motor vehicles	20% - 25% per annum.

(f) Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost includes the cost of materials, together with appropriate costs of production, being direct labour and production overheads.

(g) Deferred Taxation

Provision for deferred taxation arising from timing differences between the treatment of certain items for taxation and accounting purposes, and the revaluation of certain fixed assets, is only made where there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

(h) Leased Assets

Motor vehicles and plant subject to finance leases and hire purchase contracts are shown as fixed assets and depreciated as indicated above. The corresponding liability for the capital element is recorded as a loan and the interest element, which is calculated on the basis of the amount of loan outstanding, is charged against income over the primary lease period.

Rentals paid under operating leases are charged against profits on a straight line basis over the lease term.

1 STATEMENT OF ACCOUNTING POLICIES CONTINUED**(i) Foreign Currencies**

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

(j) Turnover

Turnover, which is all derived from the United Kingdom, represents the amount receivable, excluding value added tax, from the Group's food manufacturing and distribution activities.

(k) Pension Costs

The Group operates defined contribution pension schemes for employees of Group undertakings and all pension costs have been charged to the profit and loss account as incurred.

(l) Group Incentive Scheme

In accordance with UITF Abstract 17 (Employee share schemes), an amount has been charged against the profit and loss account for the notional cost of the deferred shares issued under the Group incentive scheme.

The notional cost is the difference between the market value of the ordinary shares and the subscription price of the deferred shares at their date of issue. The cost is charged to the profit and loss account over the period of measurement of the relevant performance criteria. An equivalent amount is credited to other reserves.

(m) Compliance with Accounting Standards

The accounts have been prepared in accordance with applicable accounting standards.

(n) Financial Assets and Liabilities

Short term debtors and creditors have not been treated as financial assets and liabilities. The Group does not hold or issue derivative financial instruments for trading purposes.

2 ANALYSIS OF TURNOVER AND OPERATING PROFIT

	2000 £'000	1999 £'000
Turnover by Geographical Area:		
United Kingdom	87,772	49,077
Europe	3,287	2,563
Rest of the World	340	417
Total turnover	91,399	52,057
Cost of sales	(62,420)	(35,863)
Gross profit	28,979	16,194
Distribution costs	(5,570)	(3,994)
Administrative expenses		
- Other administrative expenses	(12,818)	(6,091)
- Goodwill amortisation	(2,364)	(559)
Operating profit	8,227	5,550

3 SEGMENTAL ANALYSIS

The net assets attributable to each activity excluding intra-group balances are as follows:

	2000 £'000	1999 £'000
Parent company	(25,233)	(23,723)
Food manufacturing and distribution	69,350	66,522
	44,117	42,799

4 NET INTEREST

Interest Receivable and Similar Income	2000 £'000	1999 £'000
Bank and other interest	54	97

Interest Payable and Similar Charges	2000 £'000	1999 £'000
On bank loans and overdrafts	937	311
On other loans repayable wholly within five years	323	391
Hire purchase and finance lease interest	369	122
	1,629	824

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

<i>Is stated after charging/(crediting):</i>	2000 £'000	1999 £'000
Depreciation of owned assets	1,110	616
Depreciation of leased assets	1,084	387
Goodwill amortisation	2,364	559
Operating lease rentals		
- land and buildings	1,132	503
- other	464	251
Rent receivable	(158)	(103)
Auditors' remuneration	76	65
Provision for group incentive scheme (note 25)	69	67

Amounts paid to the auditors by the Group in respect of non-audit services were £15,000 (1999: £192,000).

6 EMPLOYEES

(a) Staff costs

	2000 £'000	1999 £'000
Wages and salaries	13,151	6,104
Social security costs	1,192	580
Other pension costs	234	171
	14,577	6,855

Details of directors' remuneration are given in the Report of the Remuneration Committee on pages 20 and 21.

(b) The average number of persons employed by the Group was:

	2000 Number	1999 Number
Production	796	294
Selling and administration	129	83
	925	377

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
UK current taxation		
Corporation tax charge	2,653	1,602
Adjustment for previous years	(60)	(40)
	2,593	1,562

Had full provision been made for deferred tax, the tax charge for the year would have increased by £212,000 (1999: £54,000).

The resultant overall rate of tax is higher than the standard rate of corporation tax applicable to the Group because the amounts written off goodwill are not allowable for corporation tax purposes.

8 DIVIDENDS

	2000 £'000	1999 £'000
Interim paid - 0.75p per share (1999: 0.75p)	1,141	605
Final proposed - 1.1p per share (1999: 1.0p)	1,673	1,521
	2,814	2,126

9 EARNINGS PER SHARE

Basic earnings per share has been calculated on profits of £4,036,000 (1999: £3,242,000) and a weighted average number of shares in issue during the year of 152,151,124 (1999: 96,100,278).

An adjusted earnings per share calculation, based upon the results before goodwill amortisation, has been calculated in order to provide a better understanding of the underlying trading performance of the Group.

Diluted earnings per share has been calculated on profits of £4,036,000 (1999: £3,242,000) and a weighted average number of shares of 156,625,907 (1999: 96,445,502). In addition, an adjusted diluted earnings per share calculation, based upon the results before goodwill amortisation, has been included.

9 EARNINGS PER SHARE CONTINUED

	Basic 2000 £'000	Adjusted 2000 £'000	Diluted 2000 £'000	Adjusted Diluted 2000 £'000	Basic 1999 £'000	Adjusted 1999 £'000	Diluted 1999 £'000	Adjusted Diluted 1999 £'000
Earnings adjustments								
Profit for the financial year attributable to shareholders	4,036	4,036	4,036	4,036	3,242	3,242	3,242	3,242
Goodwill amortisation	-	2,364	-	2,364	-	559	-	559
	4,036	6,400	4,036	6,400	3,242	3,801	3,242	3,801
Number of shares (thousands)	152,151	152,151	156,626	156,626	96,100	96,100	96,445	96,445
Earnings per share (pence)	2.65p	4.21p	2.58p	4.09p	3.37p	3.96p	3.36p	3.94p
Number of shares (thousands)								
Basic weighted average number of shares			152,151	152,151			96,100	96,100
Dilution arising from options under the								
- Approved Share Option Scheme			338	338			345	345
- Group Incentive Scheme			3,153	3,153			-	-
- Convertible Second Tranche Loan Notes			984	984			-	-
Diluted weighted average number of shares			156,626	156,626			96,445	96,445

10 INTANGIBLE FIXED ASSETS

	Cost £'000	Amortisation £'000	Net book Value £'000
Goodwill - Group			
At 1 April 1999	47,408	(559)	46,849
Adjustment to cost of Noon acquisition	(68)	-	(68)
Amortisation for the year	-	(2,364)	(2,364)
At 31 March 2000	47,340	(2,923)	44,417

11 TANGIBLE FIXED ASSETS

Group	Freehold £'000	Land and buildings Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 1999	5,415	493	2,743	16,862	1,638	27,151
Additions	119	437	69	1,267	305	2,197
Reclassification	-	9	(9)	-	-	-
Disposals	-	-	-	(73)	(396)	(469)
At 31 March 2000	5,534	939	2,803	18,056	1,547	28,879
Depreciation						
At 1 April 1999	436	68	373	5,808	556	7,241
Charge for the year	76	12	142	1,630	334	2,194
Reclassification	-	7	(7)	-	-	-
Disposals	-	-	-	(3)	(288)	(291)
At 31 March 2000	512	87	508	7,435	602	9,144
Net Book Value						
At 31 March 2000	5,022	852	2,295	10,621	945	19,735
At 31 March 1999	4,979	425	2,370	11,054	1,082	19,910

At 31 March 2000, fixed assets with a net book value of £6,376,000 (1999: £7,110,000) were held under finance leases and hire purchase agreements.

11 TANGIBLE FIXED ASSETS CONTINUED

Parent Company

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 1999	97	215	312
Additions	10	118	128
Disposals	-	(104)	(104)
At 31 March 2000	107	229	336
Depreciation			
At 1 April 1999	40	67	107
Charge for the year	19	57	76
Disposals	-	(67)	(67)
At 31 March 2000	59	57	116
Net Book Value			
At 31 March 2000	48	172	220
At 31 March 1999	57	148	205

At 31 March 2000, fixed assets with a net book value of £172,000 (1999: £180,000) were held under finance leases and hire purchase agreements.

12 CAPITAL COMMITMENTS

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
Capital expenditure contracted for but not provided	829	195	-	-

13 FIXED ASSETS - INVESTMENTS

	Parent Company 2000 £'000
Investment in subsidiary undertakings	
Cost or valuation	
At 1 April 1999	69,706
Adjustment to cost of Noon acquisition	(68)
At 31 March 2000	69,638
Provision for diminution in value	
At 1 April 1999 and at 31 March 2000	364
Net Book Value	
Stated at cost	64,950
Stated at 1993 valuation	4,324
At 31 March 2000	69,274
At 31 March 1999	69,342

The historical cost of investments in subsidiary undertakings at 31 March 2000 was £68,562,000 (1999: £68,630,000). Details of the company's principal subsidiary undertakings are given in note 35.

The company has an option to purchase the 5% minority interest in Chadha Oriental Foods Limited ("Chadha"). The option is exercisable by either party following the approval of the accounts of Chadha for the year ended 31 March 2000 and will expire on 31 March 2001. The consideration will be based on the cost of the investment already made and the profit before taxation of Chadha in the year ended 31 March 2000, but will not be less than £305,000.

14 STOCKS

	Group 2000 £'000	Group 1999 £'000
Raw materials	2,376	1,863
Work in progress	120	136
Finished goods	4,127	3,127
	6,623	5,126

15 DEBTORS

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
Trade debtors	10,936	9,784	-	-
Other debtors	572	921	82	59
Amounts owed by subsidiary undertakings	-	-	16,185	11,500
Corporation tax recoverable	84	62	-	-
Prepayments and accrued income	1,254	672	153	43
	12,846	11,439	16,420	11,602

16 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
Bank loans and overdrafts (note 19)	2,195	1,866	4,706	1,653
Guaranteed Redeemable Loan Notes 2005 (note 19)	650	-	650	-
Hire purchase and finance lease creditors (note 19)	1,581	1,988	71	71
Amounts due to subsidiary undertakings	-	-	125	2
Trade creditors	9,361	8,351	166	56
Other creditors	103	56	-	-
Corporation tax	1,853	1,737	451	151
Other taxes and social security costs	439	399	58	45
Accruals	1,555	1,976	214	234
Proposed final dividend (note 8)	1,673	1,521	1,673	1,521
	19,410	17,894	8,114	3,733

17 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
Bank loans (note 19)	7,437	9,600	6,831	8,811
Guaranteed Redeemable Loan Notes 2005 (note 19)	3,350	4,000	3,350	4,000
Deferred consideration for Noon Group	7,475	7,475	7,475	7,475
Hire purchase and finance lease creditors (note 19)	2,049	3,165	44	12
Amounts owed to subsidiary undertakings	-	-	480	480
	20,311	24,240	18,180	20,778

Guaranteed Redeemable Loan Notes 2005

The Guaranteed Redeemable Loan Notes 2005 ("the Eghoyan Loan Notes") were issued on the acquisition of Eghoyan's Pitta Bakery Limited. The Eghoyan Loan Notes are redeemable on 30 January 2005, but may be redeemed, in part, at an earlier date with the agreement of the company and the holders of the Eghoyan Loan Notes. The Eghoyan Loan Notes are guaranteed by National Westminster Bank plc ("Nat West") and bear interest at Nat West base rate.

Deferred Consideration for Noon Group

The deferred consideration for the Noon Group comprises:

(a) First Tranche Loan Notes:

Guaranteed Redeemable First Tranche Loan Notes ("First Tranche Loan Notes") of £2.5 million were issued in July 1999 following the determination of the adjusted profits of Noon Group in respect of the three months ended 31 March 1999.

The First Tranche Loan Notes have been guaranteed by Nat West and are repayable at the option of the holder six months after their issue. Nat West have agreed to lend £2.5 million to finance the repayment of the First Tranche Loan Notes as part of the medium-term loan facility of £12.5 million which was arranged at the time of the acquisition and of which £10 million has already been drawn down. The directors have regarded the First Tranche Loan Notes as being repayable after more than one year, as they consider that the First Tranche Loan Notes and the committed medium-term loan facility are under a single agreement or course of dealing with the same group of lenders. If there was no such facility available, the First Tranche Loan Notes would become payable within one year. If not repaid earlier, the First Tranche Loan Notes may be redeemed at any time up to seven years after their date of issue.

The First Tranche Loan Notes bear interest at Nat West base rate. Arrangement fees of £25,000 were paid by the company and have been netted off against the creditor in the balance sheet.

(b) Second Tranche Loan Notes:

Redeemable Second Tranche Loan Notes ("Second Tranche Loan Notes") of £5 million will be issued after the determination of the adjusted profits of the Noon Group in respect of the year ended 31 March 2000.

The Second Tranche Loan Notes are convertible into ten million ordinary shares of 25p each at the option of the holder at any time up to nine months after their issue. Any of the Second Tranche Loan Notes which have not been converted into ordinary shares may be redeemed at any time up to seven years after their date of issue. The Second Tranche Loan Notes are unsecured and bear interest at Nat West base rate from 1 July 2000.

18 PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

Deferred taxation is only provided to the extent that, in the opinion of the directors, a liability will crystallise in the foreseeable future. The potential liability at 31 March 2000, for which provision has not been made, is as follows:

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
Accelerated capital allowances	1,495	1,374	-	-
Other timing differences	(4)	(132)	-	-
	1,491	1,242	-	-
Revaluation of fixed assets	508	545	-	-
	1,999	1,787	-	-

At 31 March 2000, there were unutilised trading losses available to be carried forward by the parent company of approximately £32,000 (1999: £32,000).

19 BORROWINGS

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
(a) Obligations under hire purchase and finance leases				
These are repayable as follows:				
Within 1 year	1,581	1,988	71	71
Between 1 and 2 years	1,061	1,370	44	12
Between 2 and 5 years	988	1,795	-	-
	3,630	5,153	115	83
(b) Bank loans				
These are repayable as follows:				
Within 1 year	2,195	1,866	4,706	1,653
Between 1 and 2 years	2,168	2,207	1,980	1,980
Between 2 and 5 years	5,269	6,422	4,851	5,940
After 5 years	-	971	-	891
	9,632	11,466	11,537	10,464
(c) Eghoyan Loan Notes and Deferred Consideration for Noon Group				
These are repayable as follows:				
Within 1 year	650	-	650	-
Between 1 and 2 years	5,700	5,700	5,700	5,700
Between 2 and 5 years	3,739	2,450	3,739	2,450
After 5 years	1,386	3,325	1,386	3,325
	11,475	11,475	11,475	11,475
Total Borrowings	24,737	28,094	23,127	22,022

Hire purchase and finance leases are secured against the assets to which they relate (note 11). The bank loans are secured by fixed and floating charges over the assets of the Group. The interest rates relating to the bank loans repayable after 5 years are mainly at 1.5% over Nat West base rate and the loans are repayable by 2006. The Eghoyan Loan Notes and the Deferred Consideration for Noon Group are unsecured but are, in part, guaranteed by Nat West (note 17). The interest rates applicable to the Eghoyan Loan Notes and the Deferred Consideration for Noon Group are given in note 17.

Details of the new loan facilities arranged by Nat West are included in the Financial Review on page 15 and in note 33.

20 FINANCIAL COMMITMENTS

The Group is committed to the following annual payments under operating leases, which expire as follows:

	Land and buildings 2000 £'000	Land and buildings 1999 £'000	Other 2000 £'000	Other 1999 £'000
Within 1 year	-	-	21	15
Between 2 and 5 years	163	85	362	314
After 5 years	896	945	-	-
	1,059	1,030	383	329

21 CALLED UP SHARE CAPITAL

	Group and Parent Company 2000 £'000	Group and Parent Company 1999 £'000
Authorised:		
220,386,088 (1999: 220,386,088) ordinary shares of 25p each	55,097	55,097
6,957,280 non-voting deferred convertible redeemable shares of 0.05p each (non-equity)	3	3
	55,100	55,100

	Number	Issue Price (pence)	Nominal Value £'000
Allotted and fully paid:			
Ordinary shares of 25p each			
At 1 April 1999	152,149,731	-	38,038
Exercise of share options - 9 February 2000	5,000	29.8p	1
- 9 February 2000	5,000	38.5p	1
At 31 March 2000	152,159,731		38,040

	Number	Issue Price (pence)	Nominal Value £'000
Non-voting deferred convertible redeemable shares of 0.05p each (non-equity)			
At 1 April 1999	6,529,322		3
Allotted - 11 January 2000	457,958	0.05p	-
Cancellation of shares on employees leaving	(30,000)	-	-
At 31 March 2000	6,957,280		3
Total allotted and fully paid			38,043

21 CALLED UP SHARE CAPITAL CONTINUED

Deferred Shares

The Group Incentive Scheme was established in 1997 to enable directors and full-time employees within the Group to acquire by subscription or purchase Deferred Shares which are convertible into ordinary shares upon the attainment of certain performance criteria by the Group. In January 1999, the Remuneration Committee decided that no further Deferred Shares would be issued under this scheme. The rights of the Deferred Shares can be summarised as follows:

(a) Conversion

The Deferred Shares will become convertible upon publication of the Group accounts for the year ended 31 March 2000, subject to achievement of the performance criteria over the four years to that date ('the Performance Period') and as provided in the Articles of Association.

The price to be paid on conversion of Deferred Shares shall be the sum of 27p per ordinary share or such higher sum as may be specified in the terms of issue of the Deferred Shares.

On the basis of the results for the period ended 31 March 2000, the performance criteria have been satisfied and full conversion can take place on the basis of one ordinary share for every Deferred Share held, following approval of the accounts by the shareholders. The earnings per share ("EPS") before goodwill amortisation over the performance period has increased by more than the aggregate of 85% and has been measured by reference to the basic EPS of 1.6p per ordinary share. In addition, the rate of growth in EPS before goodwill amortisation over the performance period has exceeded the rate of growth in the Financial Times Stock Exchange Small Capitalisation (excluding Investment Trust) Index over the same period.

The latest possible date for conversion will be 31 March 2002. After that date, the company may buy in the Deferred Shares at par.

(b) Voting rights and income

Deferred Shares carry no voting rights and no dividend entitlement although class consents will be required in the case of variations to the rights attaching to a particular class of Deferred Share.

(c) Capital

The holders of the Deferred Shares are only entitled to repayment of the nominal amount of the shares on the return of any capital on liquidation or otherwise.

22 SHARE OPTION SCHEMES

Approved Share Option Scheme

The Approved Share Option Scheme was established in 1992 and enables the Board to grant options to certain directors and employees in accordance with the rules of this scheme, which has received Inland Revenue approval. The Approved Share Option Scheme was frozen as regards the grant of further options, following the introduction of the Group Incentive Scheme. The options outstanding at 31 March 2000 were as follows:

Number of ordinary shares of 25p each	Price per share	Exercise period
43,242	37.0p	1 May 1995 - 30 Apr 2002
10,502	38.1p	1 Aug 1996 - 31 Jul 2003
40,000	42.7p	1 Feb 1997 - 31 Jan 2004
44,412	35.3p	1 Jan 1998 - 31 Dec 2004
106,844	38.5p	1 Jul 1998 - 30 Jun 2005
560,000	29.8p	1 Aug 1999 - 31 Jul 2006
805,000		

22 SHARE OPTION SCHEMES CONTINUED

Approved Share Option Scheme

Details of the share options available to the directors under the Approved Share Option Scheme are set out below:

	Number of Options at 1 April 1999 and 31 March 2000	Exercise Price	Exercise period
K J Stott	90,000	29.8p	1 Aug 1999 - 31 Jul 2006
R J Garland	90,000	29.8p	1 Aug 1999 - 31 Jul 2006
J E Brennan	90,000	29.8p	1 Aug 1999 - 31 Jul 2006
E C V Shaw	16,216	37.0p	1 May 1995 - 30 Apr 2002
	5,251	38.1p	1 Aug 1996 - 31 Jul 2003
	9,559	35.3p	1 Jan 1998 - 31 Dec 2004
	18,974	38.5p	1 Jul 1998 - 30 Jun 2005
	40,000	29.8p	1 Aug 1999 - 31 Jul 2006
	90,000		
Total	360,000		

Unapproved Share Option Scheme

The Unapproved Share Option Scheme was introduced following the Extraordinary General Meeting held on 11 January 1999 and the Board may grant options to executive directors and full-time employees, subject to the agreement of the Remuneration Committee. The Unapproved Share Option Scheme will continue for a period of ten years.

On 19 January 1999, total options over 3,730,000 shares were granted to directors and employees when the market price of the ordinary shares was 54 pence. These options were outstanding at 31 March 2000.

The price per share at which an option may be exercised is determined by the Board but will not be less than the market value of the ordinary shares, or 25 pence whichever is the higher.

Options are normally exercisable after the expiry of three years from the date of the grant of the option, provided that there has been real growth in earnings per share of at least 2% over and above the increase in the Retail Prices Index over a continuous period of three years beginning not earlier than the beginning of the financial year in which the options are granted. An individual's entitlement in the Unapproved Share Option Scheme is also dependent on, inter alia, total annual emoluments and options outstanding under the Approved Share Option Scheme.

Details of the share options available to the directors under the Unapproved Share Option Scheme are set out below:

	Number of Options Granted	Number of Options 1 April 1999 and 31 March 2000	Exercise Price	Exercise period
K J Stott	700,000	700,000	54p	1 Feb 2002 - 31 Jan 2009
R J Garland	700,000	700,000	54p	1 Feb 2002 - 31 Jan 2009
J E Brennan	700,000	700,000	54p	1 Feb 2002 - 31 Jan 2009
E C V Shaw	700,000	700,000	54p	1 Feb 2002 - 31 Jan 2009
Total	2,800,000	2,800,000		

The quoted price of the company's ordinary shares at 31 March 2000 was 52 pence and during the year the quoted price ranged between 40.5 pence and 64 pence.

23 SHARE PREMIUM ACCOUNT

	Group and Parent Company 2000 £'000	Group and Parent Company 1999 £'000
At 1 April 1999	15,367	2,175
Premium arising on shares allotted	2	14,136
Expenses of issue	-	(944)
At 31 March 2000	15,369	15,367

24 REVALUATION RESERVE

	Group £'000	Parent Company £'000
At 1 April 1999 and 31 March 2000	-	1,049

25 OTHER RESERVES

	Group £'000	Parent Company £'000
At 1 April 1999	6,807	124
Provision for group incentive scheme (note 5)	69	69
At 31 March 2000	6,876	193

At 31 March 2000, the Group's other reserves included £6,683,000 relating to the merger reserve (1999: £6,683,000).

26 PROFIT AND LOSS ACCOUNT

	Group £'000	Parent Company £'000
At 1 April 1999	(17,598)	2,057
Retained profit for the year	1,222	2,909
At 31 March 2000	(16,376)	4,966

The profit for the year attributable to the parent company was £5,723,000 (1999: £3,022,000) after crediting intra-group dividends of £6,450,000 (1999: £3,650,000). Goodwill charged to reserves in respect of retained businesses is £19,179,000 (1999: £19,179,000).

27 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2000 £'000	Group 1999 £'000	Parent Company 2000 £'000	Parent Company 1999 £'000
At 1 April 1999	42,617	6,582	56,638	24,573
Profit for the financial year	4,036	3,242	5,723	3,022
Dividends	(2,814)	(2,126)	(2,814)	(2,126)
New share capital subscribed	4	34,852	4	31,102
Provision for group incentive scheme	69	67	69	67
At 31 March 2000	43,912	42,617	59,620	56,638

28 CONTINGENT LIABILITIES

Parent Company

At 31 March 2000, the company has guaranteed the annual rental commitment of a subsidiary undertaking amounting to £140,000 (1999: £140,000) in the ordinary course of business. Also the company has guaranteed bank borrowings, hire purchase and finance lease agreements of subsidiary undertakings amounting in aggregate to £6,606,000 (1999: £7,586,000).

Group

At 31 March 2000, there was a letter of credit amounting to £63,000 (1999: £65,000) given in the normal course of business in favour of a supplier to a subsidiary undertaking.

29 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group 2000 £'000	Group 1999 £'000
Operating profit	8,227	5,550
Depreciation of tangible fixed assets	2,194	1,003
Goodwill amortisation	2,364	559
(Profit)/loss on sale of tangible fixed assets	(23)	1
Provision for group incentive scheme	69	67
(Increase)/decrease in stocks	(1,497)	21
Increase in debtors	(1,396)	(1,751)
Increase in creditors	657	1,554
Net cash inflow from operating activities	10,595	7,004

30 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group 2000 £'000	Group 1999 £'000
Decrease in cash in the year	(1,392)	(551)
Cash outflow/(inflow) from debt financing	3,935	(5,714)
Change in net debt resulting from cash flows	2,543	(6,265)
Loans and finance leases acquired with subsidiaries	-	(8,355)
Deferred consideration for the acquisition of subsidiary (note 17)	-	(7,475)
New finance leases	(578)	(900)
Movement in net debt in the year	1,965	(22,995)
Net debt at 1 April 1999	(26,485)	(3,490)
Net debt at 31 March 2000	(24,520)	(26,485)

31 ANALYSIS OF CHANGE IN NET DEBT

	At 1 April 1999 £'000	Cash Flow £'000	Other non- cash changes £'000	At 31 March 2000 £'000
Cash in hand at bank	1,609	(1,392)	-	217
Debt due within one year	(1,866)	1,834	(2,813)	(2,845)
Debt due after one year	(21,075)	-	2,813	(18,262)
Finance leases	(5,153)	2,101	(578)	(3,630)
Total (note 30)	(26,485)	2,543	(578)	(24,520)

32 MAJOR NON-CASH TRANSACTIONS

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £578,000 (1999: £900,000).

33 POST BALANCE SHEET EVENT

On 4 May 2000, through a subsidiary company Rio Pacific Food Services (Holdings) Limited ("RPFSH"), the company has acquired 100% of the shares of Rio Pacific Food Services Limited ("Rio Pacific") for a consideration of £7,500,000 satisfied with cash of £2,444,000, loan notes of £4,252,080, shares equivalent to 6% of RPFSH to the value of £450,000 and £353,920 in respect of a buyback of Rio's shares prior to completion. The vendors, Mr Harvey Werter and Mr Russell Kane, hold 5% and 1% of RPFSH respectively. The company has an option to purchase the 5% held by Mr Werter at any time after 14 April 2004 based on a multiple of 8.4 times the profit before tax of Rio Pacific and RPFSH for the year ended 31 March 2003 subject to a maximum consideration of £2,500,000. The company has an option to acquire the 1% held by Mr Kane at any time after 14 April 2003 to be satisfied by cash of £75,000 or WT Foods plc ordinary shares to the value of £75,000 based on the mid market price of such shares as at 4 May 2000. The directors estimate that the fair value of the net assets acquired was £3.6 million.

Rio Pacific, incorporating Funnybones, operates principally within the food service sector, supplying leisure outlets including restaurants, cinema and public houses with a wide range of American, Cajun and Tex-Mex foods.

New syndicated medium term loan facilities have been arranged by Nat West which have been used to fund this acquisition and to restructure Group borrowings. As a consequence the amounts borrowed, the interest rates applying and the repayment terms differ from those disclosed in note 19.

34 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group's financial instruments raise finance for the Group's operations and comprise borrowings, cash and liquid resources and various items that arise directly from its operations, such as trade debtors and trade creditors. No trading in financial instruments took place by the Group during the year ended 31 March 2000 and there were no derivatives transactions. Where necessary, the Group has financed its operations by means of borrowings denominated entirely in sterling at both variable and fixed rates of interest.

At 31 March 2000, Group borrowings at fixed rates of interest totalled £561,000 (1999: £711,000) and the weighted average interest rate relating to these fixed rate liabilities was 8.95% (1999: 8.94%). The weighted average period over which the interest rates on the fixed rate financial liabilities is fixed, is 46 months (1999: 55 months). At 31 March 2000, there was also Deferred Consideration of £5,000,000 on which no interest was paid during the year, as described in note 17.

At 31 March 2000, the Group did not have any material foreign currency risks and an analysis of the maturity profile of borrowings is given in note 19.

In the opinion of the directors, there is no material difference between the fair value of the Group's financial instruments and their book value.

35 PRINCIPAL SUBSIDIARY COMPANIES

During the year the principal subsidiary companies, all of which were wholly owned except where stated, were as follows:

Company	Principal activity
Bart Spices Limited	Herbs and spices manufacture
Enco Products Limited*	Manufacture and distribution of speciality food
La Mexicana Quality Foods Limited	Manufacture of Mexican food and bakery products
Chadha Oriental Foods Limited (95% owned)	Distributor of Oriental food
Eghoyan's Pita Bakery Limited	Manufacture of speciality breads
Noon Products Limited*	Manufacture of chilled and frozen recipe food

* Indirectly owned.

Shares in subsidiary companies are represented by ordinary shares, and are directly owned unless otherwise stated. The principal country of operation for all the above subsidiaries is the United Kingdom and all are registered in England and Wales.

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of The Chamber of Shipping, Carthusian Court, 12 Carthusian Street, London, EC1M 6EB on 27 July 2000 at 11.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

- 1 To receive and adopt the accounts and reports of the directors and auditors for the year ended 31 March 2000.
- 2 To declare a final dividend.
- 3 To re-elect Mr P A Lovegrove as a director.
- 4 To re-elect Mr K J Stott as a director.
- 5 To re-elect Mr S Bard as a director.
- 6 To re-appoint the auditors, BDO Stoy Hayward, and to authorise the directors to fix their remuneration for the ensuing year.

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Special Resolutions:

- 7 That the objects clause contained in the Memorandum of Association of the Company be and is hereby amended by the insertion of the new paragraph (I) in Clause 3:

"(I) To enter into guarantees, contracts of indemnity and suretyships of all kinds, whether or not the Company shall receive any consideration in respect of, or derive any commercial benefit from the same, on such terms and in such manner as the directors see fit and in particular, but without prejudice to the generality of the foregoing, to guarantee, underwrite, support or secure, as aforesaid, and whether by personal obligation or by mortgaging or charging or providing any other security over the whole or any part of the undertaking, property or assets (whether present or future) and uncalled capital of the Company or by the creation and issue of any securities of the Company, the performance of any obligation or commitments or satisfaction of any liabilities of any person or company including, but without prejudice to the generality of the foregoing, any company which is for the time being a subsidiary or holding company or a subsidiary undertaking or parent undertaking of the Company or another subsidiary of a holding company of the Company or another subsidiary undertaking of a parent undertaking of the Company or otherwise associated with the Company"

and that the existing paragraphs (I) to (T) to Clause 3 be relettered accordingly.

- 8 In substitution for all existing and unexercised authorities, that the directors of the Company be and are hereby generally and unconditionally empowered, pursuant to section 95 of the Companies Act of 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) in the capital of the Company pursuant to all authorities presently conferred upon the directors of the Company so to do under the provisions of Section 80 of the Act as if Section 89 (1) of the Act did not apply to such allotment provided that this power is limited to:
 - (a) the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities on the register of members on a fixed date or dates in proportion to their holdings of such equity securities, subject only to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body in any territory; and

- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an amount not exceeding five per cent of the issued share capital for the time being of the Company, provided that this power shall expire on the date of the next Annual General Meeting of the Company or fifteen months after the passing of this Resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offer or agreement after such expiry as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

ALAN MARTIN

SECRETARY

27 JUNE 2000

2 APEX POINT, TRAVELLERS LANE,

WELHAM GREEN, HATFIELD,

HERTFORDSHIRE AL9 7HF

Notes

- 1 Any member of the Company who is entitled to vote at the above-mentioned Annual General Meeting may appoint another person or persons (whether a member or not) as their proxy to attend and, on a poll, to vote on their behalf.
- 2 Any member of the Company who holds ordinary shares in uncertificated form must be entered on the Company's register of members by 6.00 p.m. on 25 July 2000 to be entitled to attend and vote at the Annual General Meeting. Changes to entries on the register of members after 6.00 p.m. on 25 July 2000 shall be disregarded in determining the right of any person to attend or vote at the meeting.
- 3 To be valid, Forms of Proxy must be lodged with the Company's Registrars, Connaught St Michaels Limited, PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire, LU1 2PU by 4.00 p.m. on 25 July 2000.
- 4 In the case of a corporation, the Form of Proxy should be executed under its common seal or signed by a duly authorised officer or attorney of the corporation.
- 5 Completion and return of a Form of Proxy will not preclude any member from attending the meeting in person and voting should they so wish.
- 6 The following documents will be available at the registered office of the Company on any weekday (except Saturday) during normal business hours and at the place of the meeting for a period of fifteen minutes before the meeting:
 - (a) The register of interests of the Company's directors in the shares of the Company which is maintained under Section 325 of the Companies Act 1985.
 - (b) A copy of the Company's contracts of service pertaining to directors with service contracts.