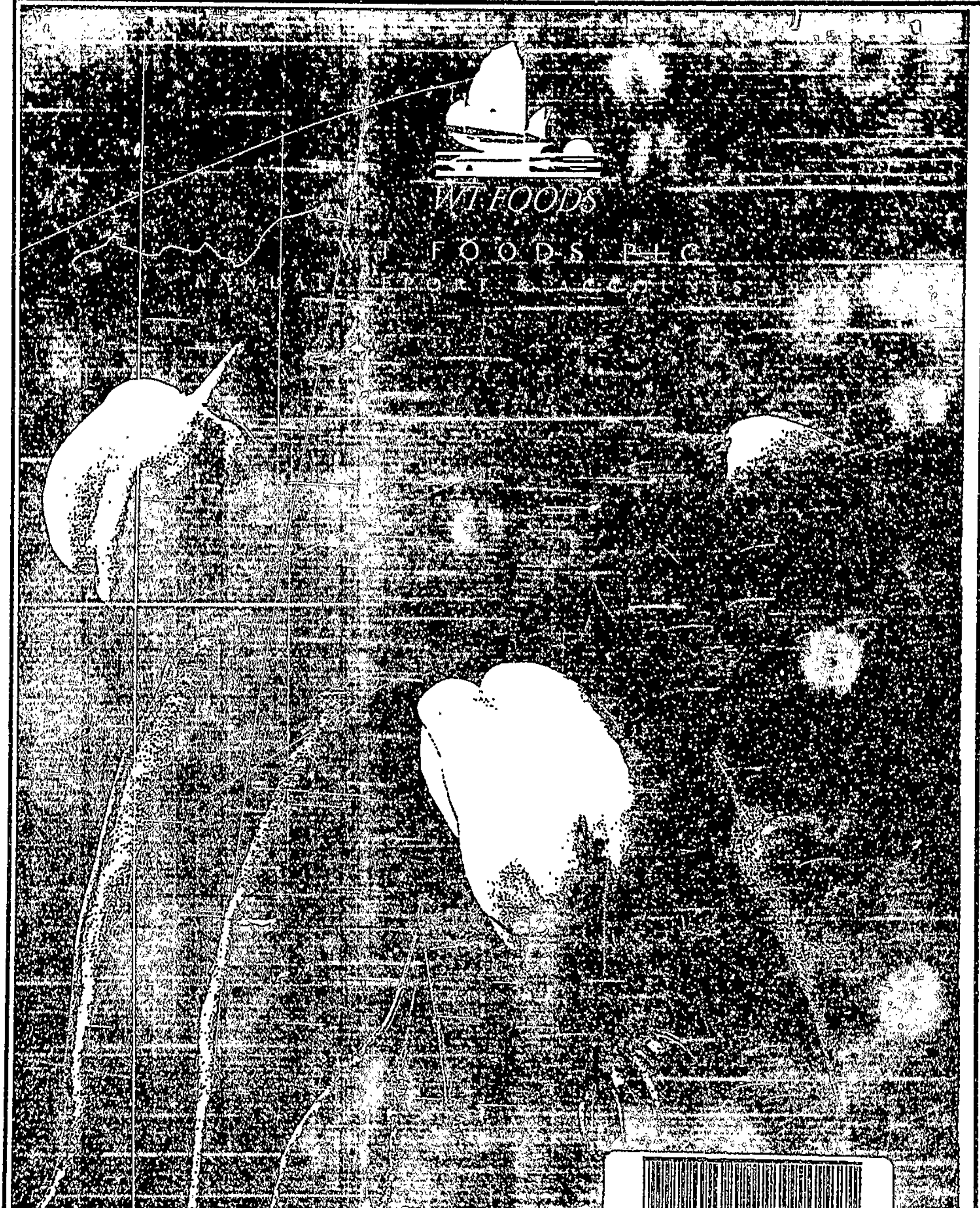
WT FOODS
WT FOODS PLC

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CONTENTS

Chairman's Statement

The year ended 31 March 1997 was one of great significance for your company. Group turnover increased by 11% to £25.5 million. Pre-tax Profit before exceptional and one off costs increased to £1.94 million. After deducting one off costs of £177,000 relating to general reorganisation measures implemented by the new executive Directors, the profit increased by 94% to £1.76 million compared to £906,000 for the previous financial year. The one off costs were foreshadowed at the time of the Board restructuring in June 1996 and were estimated to be £250,000. The remaining £70,000 will be spent in the current year. Earnings per share before exceptional costs increased 61% to 2.30p.

The Board is recommending a final dividend of 1.0p net per share as compared with 0.85p for last year which represents an increase in total of 11%. This increase reflects the Board's previously stated intention to institute a progressive dividend policy commensurate with the trading performance. The final recommendation together with the interim payment gives a full year dividend of 1.5p net per share.

The new Board has implemented your Group's strategy and a number of objectives have been achieved. Enco Products' performance was significantly improved. The Group's financial position has been considerably strengthened. Cash on hand at the year end amounted to £1.6 million and is available for both working capital requirements and any small "bolt on" acquisitions. Further expansion into the ethnic and speciality food sector was realised just after the year end when the Group successfully acquired Chadha International, a Chinese Food distributor. The disposal of Red Rose Velvets, the last remaining textile company, was completed and this gave rise to an exceptional cost of £360,000.

The results for the year, to which all subsidiaries contributed, are outstanding and demonstrate that your Group is now beginning to fulfil its potential and is well on course to achieving its aim of becoming a major force in the rapidly growing ethnic and speciality food sector. The prospects for the current year are very encouraging.

PHILIP LOVEGROVE
CHAIRMAN
19 JUNE 1997

Chief Executive's Review

The new executive board has now been in place for a year and the results have been achieved against a background of considerable change and restructuring. It is a tribute to the Group's managers and staff that the changes have been so effective and that the Group has been refocused and is firmly back on track.

BART SPICES' turnover has increased by 23% and margin has been maintained. Once again due to innovation and the strength of the brand, Bart has continued to progress well in the supermarket sector. New product launches continue and additional supermarket own label business has been secured through the year. This demonstrates Bart's competitive nature as well as the strength of its reputation and expertise i.. this sector.

Sales of Veeraswamy branded products have increased following the relaunch of the range with new packaging and additional products. Listings have been achieved both in the UK and export markets.

LA MEXICANA has increased turnover by 17% with a commensurate increase in net profit. Despite sterling strength, export sales have done particularly well. Our aims to develop new products and broaden the product range have achieved initial success with the introduction of the ambient tortilla range. Further products are due to be launched during the next year and the programme to broaden the product range will be ongoing. This Company has performed well in a growing but increasingly competitive sector. Your Board has decided that the future development of La Mexicana should centralise upon ensuring its competitiveness. To this end capital expenditure in new and more efficient machinery and additional manufacturing space is planned for the current year.

ENCO PRODUCTS' turnover increased by 5% although this followed the intended range rationalisation which when taken into account gives an underlying increase of 12%. Net profits, before one off costs, increased by 280%. One of the major problems of last year was the underperformance at Enco. This problem was dealt with during the first half of the year by restructuring both management and information systems; the reduction of excess stock, and strict financial disciplines. Gross margins were increased by more effective product sourcing and a stricter control on selling prices. This company is now running well with an improved management structure.

RED ROSE VELVETS - The Board intended to restore profits to this business in the first half and sell the business in the second half; both were achieved.

SUMMARY - Your new Board set out with a number of initial objectives and I am pleased to report that these have all been met in the past year and have had such a positive impact on the performance of the Group.

We expect the year ahead to be an exciting one. The objectives for the coming year include the successful integration of Chadha International; the improvement of production facilities at La Mexicana; the strengthening of all our Brands through increased consumer awareness and growth of our businesses in the food service and catering sector.

The market for ethnic and speciality foods continues to grow. Our Brands are strong. We will continue to develop new products. We will increase our product ranges. We will endeavour to increase our customer base. These actions together with further acquisitions will maintain our growth and continue our future development.

KEITH STOTT
CHIEF EXECUTIVE
19 JUNE 1997

Directors, Officers and Advisors

DIRECTORS
P A Lovegrove
K J Stott
R J Garland
J E Brennan
E C V Shaw
S Bard
R J Bartlam

Philip Lovegrove, aged 59, was appointed the non-executive Chairman of WT Foods in April 1988. He is the Chairman of Associated British Engineering plc and Video Tape Recording plc and his other directorships include Ashtead Group plc, English & Caledonian Investments plc and Rexmore plc.

Keith Stott, aged 38, became Chief Executive in June 1996, having previously been a director of B.E. International Foods Limited.

Rod Garland, aged 44, was appointed Finance Director in June 1996, having previously been Finance Director of B.E. International Foods Limited.

John Brennan, aged 52 became Marketing Director in June 1996, having previously held positions with RHM Foods Limited and B.E. International Foods Limited.

Edward Shaw, aged 48, became a director in January 1995 having previously had a long association with Bart Spices Limited.

Stanley Bard, aged 70, 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.

Reg Bartlam, aged 67, became a director in 1992 with the acquisition of Bart Spices Limited. He was appointed Chief Executive in January 1995 and became a non-executive director in June 1996.

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Registered Number 94632

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Lancashire OL13 9AJ

STOCKBROKERS
Bell Lawrie White & Co
7 Drumsheugh Gardens
Edinburgh EH3 7QH

REGISTRARS
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CSM House, Victoria Street, Luton
Bedfordshire LU1 2PZ

SOLICITORS
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18-19 Southampton Place
London WC1A 2AJ

FINANCIAL PR
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London EC2Y 5BA
Tel 0171 417 8989
Fax 0171 417 8247

REPORT OF THE DIRECTORS
Year ended 31 March 1997

The directors present their report, together with the audited accounts of the group, for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The principal companies in the group and their activities are detailed on page 31. A review of the year and comments on future developments are contained in the Chairman's Statement and Chief Executive's Review on pages 3 to 5.

RESULTS AND DIVIDENDS
The results for the year are set out in the group profit and loss account on page 12.
An interim dividend of 0.5p per share was paid on 1 January 1997 (1996: 0.5p).
The directors recommend a final dividend of 1.0p per share (1996: 0.85p). Subject to approval by the members at the Annual General Meeting, the dividend will be paid on 1 August 1997, to shareholders on the register at 4 July 1997.

SHARE CAPITAL
Movements in the share capital during the year are disclosed in note 23 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.

POST BALANCE SHEET EVENTS
At an Extraordinary General Meeting held on 2 April 1997, approval was given by shareholders for, inter-alia:

- the acquisition of 95% of Chadha International Foods Limited for a consideration of £6.7 million before expenses;
- the sale of Red Rose Velvets Limited for a consideration of £600,000;
- an increase in the authorised share capital of the company from £18,012,900 to £27,100,229, by the creation of:
  - 36,335,400 ordinary shares of 25p each; and
  - 6,957,280 non-voting deferred convertible redeemable shares of 0.05p each;
- a Placing and Open Offer of 26,824,261 ordinary shares of 25p each at 30p per share;
- a renewal of the directors' power to allot shares pursuant to Section 95 of the Companies Act 1985;
- the introduction of a new Group Incentive Scheme; and
- the adoption of new articles of association.

Subsequent to the Extraordinary General Meeting, the Placing and Open Offer was successfully completed and raised a sum of approximately £7.55 million after expenses.

DIRECTORS AND THEIR INTERESTS
The beneficial shareholdings, including family interests, of the directors who held office at 31 March 1997 were as follows:

	31 March 1997		31 March 1996 or date of appointment	
	Shares	Options	Shares	Options
P A Lovegrove	449,666	-	355,000	-
K J Stott	91,579	90,000	-	-
R J Garland	91,579	90,000	-	-
J E Brennan	123,579	90,000	-	-
E C V Shaw	440,000	90,000	400,000	50,000
S Bard	1,726,682	-	1,420,053	-
R J Bartlam	1,304,685	100,000	1,403,585	105,251

REPORT OF THE DIRECTORS

Year ended 31 March 1997

DIRECTORS AND THEIR INTERESTS CONTINUED

Mr Bard's shareholding includes 49,083 shares held non-beneficially.

Mr Bartlam's shareholding includes 267,185 shares held non-beneficially.

Mr Brennan's shareholding includes 32,000 shares held non-beneficially.

Mr B H Kapadia resigned as a director on 13 May 1996.

Messrs K J Stott, R J Garland and J E Brennan were appointed as directors on 7 June 1996.

Following the Placing and Open Offer, the directors were allotted shares on 2 April 1997 as follows:

	Number of Ordinary Shares	Numbers of non-voting deferred convertible redeemable shares
P A Lovegrove	224,833	-
R J Bartlam	300,000	-
S Bard	346,941	-
K J Stott	-	1,391,456
R J Garland	-	1,391,456
J E Brennan	45,789	1,391,455
E C V Shaw	-	1,391,455

Except as disclosed in note 7 to the accounts no contracts of significance subsisted during the year in relation to the group's business in which a director was materially interested.

In accordance with the company's Articles of Association, Mr P A Lovegrove is retiring by rotation, and will seek re-election at the forthcoming Annual General Meeting.

SUBSTANTIAL SHAREHOLDINGS

The company has been notified of the following holdings which at 10 June 1997 represented 3% or more of the company's issued share capital following the Placing and Open Offer in April 1997:

	Number of ordinary shares	% of issued share capital
The Second Causeway Smaller Quoted Companies Fund	10,310,267	12.81
M & G Capital Fund	4,125,033	5.13
Morgan Grenfell UK Small Co. Exempt Fund	4,100,483	5.10
Friends Provident Unit Trust	3,799,999	4.72
Montanaro UK Smaller Companies Investment Trust	3,095,548	3.85
Williams Holdings Pension Fund	3,072,609	3.82

CREST

The Company's ordinary shares were granted permission to join the Crest system on 3 March 1997.

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 1997 the trade creditors represented 54 days' purchases.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

There have been no political contributions during the year and charitable donations amounted to £1,146.

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 19 JUNE 1997

ALAN MARTIN

SECRETARY

A Martin

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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.

THE CADBURY CODE

The company has complied throughout the accounting period with those paragraphs of the Cadbury Code of Best Practice ('the Code') and those matters relating to Corporate Governance, specified by The Listing Rules of the London Stock Exchange, except during a three week period in May 1996 when there were only two non-executive directors.

COMPLIANCE WITH CORPORATE GOVERNANCE

Going Concern

Having considered the guidance given in the document 'Going Concern and Financial Reporting: guidance for directors of listed companies' issued in November 1994 by the Going Concern Working Group of the Auditing Practices Board, the directors have formed a judgement at the time of approving these financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the financial statements.

Internal Financial Control

The Board of directors has overall responsibility for the group's systems of internal financial control, which are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. They 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 reviews the effectiveness of the group's systems of internal financial control.

Corporate Governance

Remuneration Policy

The principal function of the Remuneration Committee is to set the remuneration and other terms of employment of the executive directors. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved. The Committee consists wholly of non-executive directors and is currently chaired by Mr Philip Lovegrove.

In determining the remuneration policy the Committee has complied with Section A and has given full consideration to Section B of the Best Practice provisions annexed to the Stock Exchange Listing Rules.

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 awarded share options at the prevailing market prices at the time of the grant, under the company's Executive Share Option Scheme. No further options may now be granted under that scheme. Subsequent to the year end a new Group Incentive Scheme has been introduced following approval by the Committee. This new scheme seeks to enable executives to share in the added value created for shareholders through increases in the earnings per share performance over a four year period. Details of directors' remuneration and share options are given in notes 7 and 8 to the financial statements respectively on pages 19 and 20.

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 do not have service agreements and their remuneration is determined by the executive directors.

Auditors' Statement Regarding Corporate Governance

The auditors have confirmed that, in their opinion; with respect to the directors' statements above on going concern and internal financial control, the directors have provided the disclosures required by The Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' other statement on page 9 appropriately reflects the company's compliance with the other paragraphs of the Code specified for their review by Listing Rule 12.43(j). They were not required to perform the additional work necessary to, and did not, express any opinion on, the effectiveness of either the group's system of internal financial control or its corporate governance procedures nor on the ability of the group to continue in operational existence.

AUDITORS' REPORT

to the members of WT Foods plc

We have audited the financial statements on pages 12 to 31 which have been prepared on the basis of the accounting policies set out on pages 16 and 17.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 9 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 of the state of affairs of the company and of the group as at 31 March 1997 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
19 JUNE 1997

BDO Stoy Hayward

Group Profit and Loss Account

Year ended 31 March 1997

	Notes	Continuing activities 1997 £'000	Discontinued activities 1997 £'000	Total 1997 £'000	Total 1996 £'000
Turnover	2	24,178	1,362	25,540	22,983
Cost of sales		(17,614)	(1,032)	(18,646)	(17,273)
Gross profit		6,564	330	6,894	5,710
Distribution costs and administrative expenses	2	(4,678)	(269)	(4,947)	(4,586)
Trading profit		1,886	61	1,947	1,124
Restructuring costs	2	(177)	-	(177)	-
Operating profit	2	1,709	61	1,770	1,124
Exceptional items	4	-	(360)	(360)	(402)
Interest receivable and similar income	5	66	-	66	19
Interest payable and similar charges	5	(55)	(17)	(72)	(237)
Profit on ordinary activities before taxation	6	1,720	(316)	1,404	504
Taxation on profit on ordinary activities	10			(580)	(300)
Profit for the financial year attributable to shareholders				824	204
Dividends	11			(900)	(572)
Retained Deficit for the year	27			(76)	(368)
Earnings per share	12				
- Basic				1.60p	0.48p
- Before exceptional items				2.30p	1.43p

Statement of Total Recognised Gains and Losses

Year ended 31 March 1997

	1997 £'000	1996 £'000
Profit for the financial year and total recognised gains	824	204

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

GROUP BALANCE SHEET

31 March 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Fixed Assets					
Tangible assets	13		2,399		2,392
Current Assets					
Stocks	16	2,074		1,718	
Debtors	17	5,285		4,818	
Cash at bank and in hand		1,587		285	
		8,946		6,821	
Creditors (amounts falling due within one year)	18	(5,393)		(4,558)	
Net Current Assets			3,553		2,263
Total Assets Less Current Liabilities			5,952		4,655
Creditors (amounts falling due after more than one year)	19		(92)		(1,766)
Net Assets			5,860		2,889
Capital and Reserves					
Called up share capital	23		13,412		10,589
Share premium account	24		1,161		1,232
Revaluation reserve	25		58		59
Other reserves	26		(8,020)		(8,315)
Profit and loss account	27		(751)		(676)
Equity Shareholders' Funds	28		5,860		2,889

APPROVED BY THE BOARD ON 19 JUNE 1997

K J STOTT

R J GARLAND

DIRECTORS

Parent Company Balance Sheet

31 March 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Fixed Assets					
Tangible assets	13		107		21
Investments	15		12,305		12,595
			12,412		12,616
Current Assets					
Debtors	17	3,886		3,773	
Cash at bank and in hand		1,406		22	
		5,292		3,795	
Creditors (amounts falling due within one year)	18	(900)		(1,084)	
Net Current Assets			4,392		2,711
Total Assets Less Current Liabilities			16,804		15,327
Creditors (amounts falling due after more than one year)	19		(511)		(2,166)
Net Assets			16,293		13,161
Capital and Reserves					
Called up share capital	23		13,412		10,589
Share premium account	24		1,161		1,232
Revaluation reserve	25		1,049		761
Profit and loss account	27		671		579
Equity Shareholders' Funds			16,293		13,161

APPROVED BY THE BOARD ON 19 JUNE 1997

K J STOTT

R J GARLAND

DIRECTORS

Group Cash Flow Statement

Year ended 31 March 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Net Cash Inflow from Operating Activities	30		1,661		986
Returns on Investments and Servicing of Finance					
Interest received		65		29	
Interest paid		(85)		(226)	
Hire purchase and finance lease interest		(17)		(14)	
Net Cash Outflow from Returns on Investments and Servicing of Finance			(37)		(211)
Taxation			(274)		(426)
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets		(313)		(374)	
Proceeds on disposal of tangible fixed assets		55		11	
Repayment of loan by former subsidiary		-		189	
Net Cash Outflow from Capital Expenditure and Financial Investment			(258)		(174)
Acquisitions and disposals					
Deferred consideration received			405		360
Equity Dividends paid			(936)		(1,058)
Net Cash Inflow/(Outflow) before Financing			561		(523)
Financing					
Issue of ordinary share capital (net of expenses)		2,752		6	
Decrease in debt	31 & 32	(2,011)		(305)	
Net Cash Inflow/(Outflow) from Financing			741		(299)
Increase/(Decrease) in Cash	31		1,302		(822)

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

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. Results of subsidiary undertakings disposed of are included up to the date of disposal. 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. Goodwill arising on consolidation, representing the excess of the cost of the investments in subsidiary undertakings over the fair value of net assets acquired, is charged to reserves. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented.

(c) 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 the acquisitions.

(d) 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.

(e) 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.

(f) 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.

1 Statement of Accounting Policies continued

(g) 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.

(h) 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.

(i) 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 and textile manufacturing activities.

(j) 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.

(k) Compliance with Accounting Standards

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

2 Turnover and Analysis of Continuing and Discontinued Activities

	1997 Continuing Activities £'000	1997 Discontinued Activities £'000	1997 Total £'000	1996 Continuing Activities £'000	1996 Discontinued Activities £'000	1996 Total £'000
Turnover by Geographical Area:						
United Kingdom	22,470	1,008	23,478	20,607	941	21,548
Europe	1,481	354	1,835	1,158	2	1,160
Rest of the World	227	-	227	254	21	275
Total Turnover	24,178	1,362	25,540	22,019	964	22,983
Cost of Sales	(17,614)	(1,032)	(18,646)	16,493	(780)	(17,273)
Gross Profit	6,564	330	6,894	5,526	184	5,710
Distribution Costs	(1,986)	(38)	(2,024)	(1,721)	(31)	(1,752)
Administrative Expenses	(2,869)	(231)	(3,100)	(2,610)	(224)	(2,834)
Operating profit/(loss)	1,709	61	1,770	1,195	(71)	1,124

The amounts shown as discontinued relate to the group's textile activities.

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

3 SEGMENTAL ANALYSIS

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

	1997 £'000	1996 £'000
Parent company	839	(1,742)
Food manufacturing and distribution	4,531	4,180
Textiles	490	451
	5,860	2,889

4 EXCEPTIONAL ITEMS

	1997 £'000	1996 £'000
Provision for loss on sale of subsidiary undertaking		
Goodwill previously written off (note 26)	295	-
Excess of book value of net assets over sales proceeds	65	-
Provision against a loan made to a former subsidiary undertaking	-	402
	360	402

The exceptional item in 1997 comprises a loss arising on the sale of Red Rose Velvets Limited on 2 April 1997 (note 34).

5 NET INTEREST

Interest Receivable and Similar Income	1997 £'000	1996 £'000
Bank and other interest	66	19

Interest Payable and Similar Charges		
Interest payable on bank loans and overdrafts:		
- repayable within five years	55	34
- not wholly repayable within five years	-	187
Hire purchase and finance lease interest	17	16
	72	237

The allocation of interest payable and similar charges between continuing and discontinued activities in the profit and loss account is based on the actual amounts paid.

6 Profit on Ordinary Activities before Taxation

Is stated after charging/(crediting):	1997 £'000	1996 £'000
Depreciation of owned assets	352	304
Depreciation of leased assets	49	64
Operating lease rentals		
- land and buildings	295	210
- other	16	24
Rent receivable	(20)	(2)
Auditors' remuneration	41	44
Termination payments to directors and staff	36	69

Amounts paid to the auditors by the group in respect of non-audit services were £33,000 (1996: £6,000).

7 Directors' Emoluments

	Salaries fees £'000	Performance Bonus £'000	Benefits £'000	Total emoluments £'000	Pension contributions £'000	1997 Total emoluments and pension contributions £'000	1996 Total emoluments £'000	1996 Total emoluments and pension contributions £'000
Executive directors								
K J Stott	49	12	4	65	5	70	-	-
R J Garland	49	12	4	65	5	70	-	-
J E Brennan	49	12	4	65	5	70	-	-
E C V Shaw	59	12	8	79	6	85	58	63
R J Bartlam	8	-	-	8	1	9	51	56
Former directors	-	-	-	-	-	-	33	36
Non-executive directors								
P A Lovegrove	20	-	-	20	-	20	20	20
S Bard	15	-	-	15	-	15	15	15
R J Bartlam	12	-	-	12	-	12	-	-
B H Kapadia	-	-	-	-	-	-	10	10
	261	48	20	329	22	351	187	200
Compensation for loss of office - Former directors								50
								250

Mr R J Bartlam became a non-executive director on 1 June 1996.

	1997 £'000	1996 £'000
Executive directors' emoluments	282	142
Non-executive directors' emoluments	47	45
Pension contributions	22	13
Compensation for loss of office	-	50
	351	250

Directors' remuneration shown above (excluding pension contributions) includes amounts paid to the Chairman of £20,000 (1996: £20,000).

Related Party Transactions

In addition to the directors' emoluments stated above, Messrs Stott, Garland and Brennan each received consultancy fees of £9,000 in respect of the period from 23 April 1996 to 6 June 1996.

Notes to the Accounts

Year ended 31 March 1997

8 Directors' Share Options

Details of the movements on share options available to the directors under the company's executive share option scheme are set out below:

	At 1 April 1996 or date of appointment	Number of Options Granted	Lapsed	At 31 March 1997	Exercise Price	Date from which exercisable	Expiry date
K J Stott	-	90,000	-	90,000	29.8p	1 Aug 1999	31 Jul 2006
R J Garland	-	90,000	-	90,000	29.8p	1 Aug 1999	31 Jul 2006
J E Brennan	-	90,000	-	90,000	29.8p	1 Aug 1999	31 Jul 2006
R J Bartlam	54,054	-	-	54,054	37.0p	1 May 1995	30 Apr 2002
	5,251	-	(5,251)	-	-	1 Aug 1996	31 Jul 2003
	25,735	-	-	25,735	43.3p	1 Mar 1997	29 Feb 2004
	20,211	-	-	20,211	38.5p	1 Jul 1998	30 Jun 2005
	105,251	-	(5,251)	100,000			
R C V Shaw	16,216	-	-	16,216	37.0p	1 May 1995	30 Apr 2002
	5,251	-	-	5,251	38.1p	1 Aug 1996	31 Jul 2003
	9,559	-	-	9,559	35.3p	1 Jan 1998	31 Dec 2004
	18,974	-	-	18,974	38.5p	1 Jul 1998	30 Jun 2005
	-	40,000	-	40,000	29.8p	1 Aug 1999	31 Jul 2006
	50,000	40,000	-	90,000			
Former Director	30,000	-	(30,000)	-	35.3p	1 Jan 1998	31 Dec 2004
	20,000	-	(20,000)	-	38.5p	1 Jul 1998	30 Jun 2005
	50,000	-	(50,000)	-			
Total	205,251	310,000	(55,251)	460,000			

The quoted price of the company's shares at 31 March 1997 was 30.5p, and the quoted price ranged during the year between 25.0p and 35.0p.

9 Employees

(a) Staff costs

	1997 £'000	1996 £'000
Wages and salaries	2,732	2,373
Social security costs	241	211
Other pension costs	94	93
	3,067	2,677

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

	1997 Number	1996 Number
Production	170	136
Selling and administration	52	53
	222	189

10 Taxation on Profit on Ordinary Activities

	1997 £'000	1996 £'000
UK current taxation		
Corporation tax charge at 33%	608	310
Adjustment for previous years	(28)	(10)
	580	300

Had full provision been made for deferred tax, the tax charge for the year would have decreased by £57,000 (1996: increase of £13,000).

11 Dividends

	1997 £'000	1996 £'000
Final paid in respect of prior year not provided	96	-
Interim paid - 0.5p per share (1996: 0.5p)	268	212
Final proposed - 1.0p per share (1996: 0.85p)	536	360
	900	572

In addition to the proposed final dividend on the share capital in issue at the year end, there will be an amount of £268,000 payable to the holders of the shares issued pursuant to the Placing and Open Offer in April 1997.

12 Earnings Per Share

The earnings and weighted average number of ordinary shares in issue used in calculating the earnings per ordinary share were as follows:

	1997 £'000	1996 £'000
Earnings - Basic	824	204
- Before exceptional items	1,184	606

	1997 Number	1996 Number
Weighted average number of shares in issue	51,428,468	42,349,432

In the opinion of the directors, the presentation of the earnings per share before the exceptional item provides a better understanding of the underlying trading performance of the group.
Fully diluted earnings per share are not materially different from the basic earnings per share stated above.

13 Tangible Fixed Assets

Group	Land and buildings Freehold £'000	Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or Valuation						
At 1 April 1996						
- Cost	-	489	325	2,321	567	3,702
- 1990 Valuation	150	-	-	-	-	150
Additions	-	-	2	283	182	467
Disposals	-	-	-	(11)	(129)	(140)
At 31 March 1997	150	489	327	2,593	620	4,179
Depreciation						
At 1 April 1996	18	39	50	1,148	205	1,460
Charge for the year	3	8	20	232	138	401
Adjustments for disposals	-	-	-	(7)	(74)	(81)
At 31 March 1997	21	47	70	1,373	269	1,780
Net Book Value						
At 31 March 1997	129	442	257	1,220	351	2,399
At 31 March 1996	132	450	275	1,173	362	2,392

13 Tangible Fixed Assets

Group continued

The historical cost of the freehold property at 31 March 1997 was:

	Total £'000
Cost	86
Depreciation	(16)
Net Book Value	70
Depreciation charge for the year	2

At 31 March 1997 fixed assets with a net book value of £257,000 (1996: £206,000) were held under finance leases and hire purchase agreements.

Parent Company

	Plant and Machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 1996	7	21	28
Additions	47	60	107
At 31 March 1997	54	81	135
Depreciation			
At 1 April 1996	2	5	7
Charge for the year	6	15	21
At 31 March 1997	8	20	28
Net Book Value			
At 31 March 1997	46	61	107
At 31 March 1996	5	16	21

14 Capital Commitments

	Group 1997 £'000	Group 1996 £'000	Parent Company 1997 £'000	Parent Company 1996 £'000
Capital expenditure contracted for but not provided	565	Nil	Nil	Nil

15 Fixed Assets - Investments

Summary	Parent Company 1997 £'000	Parent Company 1996 £'000
Loan to subsidiary undertaking	-	378
Subsidiary undertakings	12,305	12,217
	12,305	12,595

(a) Loan to subsidiary undertaking (Red Rose Velvets Limited)	
At 1 April 1996	578
Provision as at 1 April 1996	(200)
Net repaid in year	(36)
Increase in provision on disposal	(342)
At 31 March 1997	-
(b) Investment in subsidiary undertakings	
Cost or valuation	
At 1 April 1996 and at 31 March 1997	12,669
Provision for diminution in value	
At 1 April 1996 and at 31 March 1997	(452)
Revaluation adjustment	88
At 31 March 1997	(364)
Net Book Value	
Stated at cost	7,978
Stated at 1993 valuation	4,327
At 31 March 1997	12,305

The historical cost of investments in subsidiary undertakings at 31 March 1997 was £11,621,000 (1996: £11,621,000). Details of the company's principal subsidiary undertakings are given on page 31.

16 Stocks

	Group 1997 £'000	Group 1996 £'000
Raw materials	756	515
Work in progress	150	142
Finished goods	1,168	1,061
	2,074	1,718

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

17 DEBTORS

	Group 1997 £'000	Group 1996 £'000	Parent Company 1997 £'000	Parent Company 1996 £'000
Trade debtors	4,782	3,828	-	-
Other debtors	93	505	11	405
Amounts owed by subsidiary undertakings	-	-	3,636	3,010
Advance corporation tax recoverable	220	349	220	345
Prepayments and accrued income	190	136	19	13
	5,285	4,818	3,886	3,773

Amounts recoverable after more than one year included in debtors are as follows:

	£'000	£'000	£'000	£'000
Advance corporation tax recoverable	134	143	134	143

18 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group 1997 £'000	Group 1996 £'000	Parent Company 1997 £'000	Parent Company 1996 £'000
Bank loans (note 21)	-	234	-	234
Hire purchase and finance lease creditors (note 21)	105	65	32	-
Amounts due to subsidiary undertakings	-	-	2	36
Trade creditors	3,447	2,911	-	-
Other creditors	85	13	-	-
Corporation tax	248	124	-	-
Advance corporation tax	201	149	201	143
Other taxes and social security costs	98	110	15	23
Accruals	673	380	114	76
Interim dividend	-	212	-	212
Proposed final dividend (note 11)	536	360	536	360
	5,393	4,558	900	1,084

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

	Group 1997 £'000	Group 1996 £'000	Parent Company 1997 £'000	Parent Company 1996 £'000
Bank loans (note 21)	-	1,681	-	1,681
Hire purchase and finance lease creditors (note 21)	82	64	26	-
Amounts owed to subsidiary undertakings	-	-	485	485
Other creditors	10	21	-	-
	92	1,766	511	2,166

20 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 1997 for which provision has not been made, is as follows:

	Group 1997 £'000	Group 1996 £'000	Parent Company 1997 £'000	Parent Company 1996 £'000
Accelerated capital allowances	144	208	-	-
Other timing differences	(48)	(44)	-	-
	96	164	-	-
Revaluation of fixed assets	-	10	-	-
	96	174	-	-

At 31 March 1997 there were unutilised trading losses available to be carried forward of approximately £23,000 (1996: £258,000).

21 Borrowings

	Group 1997 £'000	Group 1996 £'000	Parent Company 1997 £'000	Parent Company 1996 £'000
(a) Obligations under hire purchase and finance leases				
These are repayable as follows:				
Within 1 year	105	65	32	-
Between 1 and 5 years	82	64	26	-
	187	129	58	-
(b) Bank loans				
These are repayable as follows:				
Within 1 year	-	234	-	234
Between 1 and 2 years	-	237	-	237
Between 2 and 5 years	-	733	-	733
[illegible] years	-	711	-	711
	-	1,915	-	1,915

Hire purchase and finance leases are secured against the assets to which they relate (note 13).

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

22 FINANCIAL COMMITMENTS

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

	Land and buildings 1997 £'000	Land and buildings 1996 £'000	Other 1997 £'000	Other 1996 £'000
Within 1 year	-	-	4	5
Between 1 and 5 years	42	35	1	4
After 5 years	254	276	-	1
	296	311	5	10

23 CALLED UP SHARE CAPITAL

	Group and Parent Company 1997 £'000	Group and Parent Company 1996 £'000
Authorised:		
72,051,600 (1996: 56,452,000) ordinary shares of 25p each	18,013	14,113

	Number	£'000	£'000
Allotted and fully paid:			
Ordinary shares of 25p each			
At 1 April 1996	42,354,097	10,589	10,585
Placing and Open Offer	11,294,425	2,823	-
Exercise of share option	-	-	4
At 31 March 1997	53,648,522	13,412	10,589

On 10 June 1996, 11,294,425 ordinary shares were allotted at 27p per share under a Placing and Open Offer.

Resolutions were passed at the Extraordinary General Meeting held on 2 April 1997 authorising an increase in the authorised share capital of the company to £27,100,229 by the creation of 36,335,400 ordinary shares of 25p each, and by the creation of 6,957,280 new non-voting deferred convertible redeemable shares of 0.05p each. Subsequently on 2 April 1997, 26,824,261 ordinary shares were allotted under a Placing and Open offer to finance the acquisition of Chadha International Foods Limited (note 34).

On the same date 5,565,822 of the new non-voting deferred convertible redeemable shares of 0.05p each were allotted to the four executive directors at the par value of 0.05p under the terms of the new Group Incentive Scheme, which was also approved on 2 April 1997.

23 Called Up Share Capital

Share Option Schemes:

The Board has granted options to certain directors and employees in accordance with the rules of the Share Option Scheme established by the company. Options outstanding at 31 March 1997 were as follows:

Number of ordinary shares of 25p each		Price per share	Exercise period
129,728		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
25,735		43.3p	1 Mar 1997 - 29 Feb 2004
79,412		35.3p	1 Jan 1998 - 31 Dec 2004
164,623		38.5p	1 Jul 1998 - 30 Jun 2005
640,000	(granted 24 July 1996)	29.8p	1 Aug 1999 - 31 Jul 2006
1,090,000			

Details of the options granted to directors are included above and are disclosed in note 8.

24 Share Premium Account

	Group & Parent Company 1997 £'000	Group & Parent Company 1995 £'000
At 1 April 1996	1,232	1,230
Premium arising on shares allotted	226	2
Expenses of issue	(297)	-
At 31 March 1997	1,161	1,232

25 Revaluation Reserve

	Group £'000	Parent Company £'000
At 1 April 1996	59	761
Profit and loss account transfer	(1)	200
Revaluation adjustment (note 15)	-	[illegible]8
At 31 March 1997	58	1,049

26 Other Reserves

	Group £'000	Parent Company £'000
At 1 April 1996	(8,315)	-
Transfer of a provision for goodwill on disposal of subsidiary undertaking (note 4)	295	-
At 31 March 1997	(8,020)	-

At 31 March 1997 other reserves included cumulative goodwill written off on acquisitions of subsidiary undertakings, amounting to £11,075,000 (1996: £11,370,000).

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

27 Profit and Loss Account

	Group £'000	Parent Company £'000
At 1 April 1996	(676)	579
(Deficit)/retained profit for the year	(76)	292
Revaluation reserve transfer (note 25)	1	(200)
At 31 March 1997	(751)	671

The profit for the year attributable to the Parent Company was £1,192,000 (1996: £1,021,000) after crediting intra-group dividends of £1,476,910 (1996: £1,332,500).

28 Reconciliation of Movements in Equity Shareholders' Funds

	Group 1997 £'000	Group 1996 £'000
At 1 April 1996	2,889	3,251
Profit for the financial year	824	204
Dividends	(900)	(572)
New share capital subscribed	2,752	6
Transfer of goodwill on disposal of subsidiary undertaking	295	-
At 31 March 1997	5,860	2,889

29 Contingent Liabilities

Parent Company

At 31 March 1997, the company has guaranteed the annual rental commitment of a subsidiary undertaking amounting to £130,000 (1996: £130,000) in the ordinary course of business. Also the company has guaranteed bank overdrafts of subsidiary undertakings amounting in aggregate to £207,000 (1995: £ Nil).

Group

At 31 March 1997, there was a letter of credit amounting to £65,000 given in the normal course of business in favour of a supplier to a subsidary undertaking.

30 Reconciliation of Operating Profit to Operating Cash Flows

	Continuing £'000	Discontinued £'000	Group 1997 £'000	Group 1996 £'000
Operating profit	1,709	61	1,770	1,124
Depreciation of tangible fixed assets	341	60	401	368
Loss on sale of tangible fixed assets	5	-	5	6
Increase in stocks	(315)	(41)	(356)	(25)
Increase in debtors	(991)	(10)	(1,001)	(53)
Increase/(Decrease) in creditors	814	28	842	(434)
Net cash inflow from continuing operating activities	1,563			986
Net cash inflow in respect of discontinued activities		98		-
Net cash inflow from operating activities			1,661	986

31 Reconciliation of Net Cashflow to Movement in Net Debt

	Group 1997 £'000	Group 1996 £'000
Increase/(decrease) in cash in the year	1,302	(822)
Cash outflow from decrease in debt and lease financing	2,011	305
Change in net debt resulting from cash flows	3,313	(517)
New finance leases	(154)	(46)
Movement in net debt in the year	3,159	(563)
Net Debt at 1 April 1996	(1,759)	(1,196)
Net Cash/(Debt) at 31 March 1997	1,400	(1,759)

32 Analysis of Change in Net Debt

	At 1 April 1996 £'000	Cash flow £'000	Other non Cash changes £'000	At 31 March 1997 £'000
Cash in hand and at Bank	285	1,302	-	1,587
Bank loans due with one year	(234)	234	-	-
Bank loans due after one year	(1,681)	1,681	-	-
Finance leases	(129)	96	(154)	(187)
	(1,759)	3,313	(154)	1,400

33 Major non Cash Transaction

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 £154,000.

34 Post Balance Sheet Events

On 2 April 1997, the company acquired 95% of the issued share capital of Chadha International Foods Limited for a consideration of £6.7 million. On the same date Red Rose Velvets Limited was sold to the vendors of Chadha International Foods Limited for a consideration of £600,000, which resulted in a Group loss of £360,000. In view of the proximity of this sale to the year end this loss has been provided in these accounts (note 4).

The acquisition was financed by a Placing and Open Offer of ordinary shares of 25p each which raised a net sum of £7.55 million.

The accounts of Chadha International Foods Limited for the year ended 31 March 1997 have not been finalised, but the directors estimate that goodwill of approximately £4 million arose on the acquisition.

Subsequent to the year end, the company entered into an option to acquire the remaining 5% of Chadha International Foods Limited between April 2000 and March 2001.

Principal Subsidiary Companies

During the year the principal subsidiary companies, all of which were wholly owned, 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
Red Rose Velvets Limited	Manufacture of velvet products

* 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 were registered in England and Wales.

NOTICE OF MEETING

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 18 July 1997 at 11.00 am 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 1997.

2 To declare a final dividend.

3 To re-elect Mr P A Lovegrove as a director.

4 To re-appoint the auditors, BDO Stoy Hayward, and to authorise the directors to fix their remuneration for the ensuing year.

BY ORDER OF THE BOARD
ALAN MARTIN
SECRETARY
19 JUNE 1997

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 To be valid, Forms of Proxy must be lodged with the Company's Registrars, Connaught St Michaels Limited, PO Box 30, CSM House, Victoria Street, Luton, Bedfordshire, LU1 2BR by 4.00 pm on 17 July 1997.

3 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.

4 Completing and returning a Form of Proxy will not prevent any member from attending the meeting in person and voting should they so wish.

5 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.