



WT FOODS PLC
ANNUAL REPORT & ACCOUNTS 2001

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SECRETARY AND REGISTERED OFFICE

A R Martin

WT House, Bessemer Road, Welwyn Garden City, Hertfordshire, AL7 1HT

Tel: 01707 322332 Fax: 01707 382930

Email: wtfoods.co.uk Web Site: www.wtfoods.com

Registered Number 94632

BANKERS

National Westminster Bank Plc
16 South Parade
Nottingham NG1 2JX

Rabobank International
Thames Court, One Queenhithe
London EC4V 3RL

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

Hammond Suddards Edge
7 Devonshire Square, Cutlers Gardens
London EC2M 4YH

FINANCIAL PR

Buchanan Communications Limited
107 Cheapside
London EC2V 6DT

CHAIRMAN'S STATEMENT

On the 11th June 2001 the Company announced that it had received an approach that may or may not lead to an offer for the Company.

The approach is from the Management team, comprising Keith Stott, Rod Garland, John Brennan, Edward Shaw and G K Noon MBE, backed by Bridgepoint Capital Limited, advised by Rabobank International.

The Independent Directors, Michael Morgan and I, have confirmed in principle that, if the offer pursuant to this approach is made, they will recommend the price of 52p. Consequently the Independent Directors have decided not to recommend a final dividend. A further update will be provided to shareholders as soon as possible.

I am pleased to report our results for the year ended 31 March 2001. Pre-tax profit of the Group before goodwill amortisation amounted to £9.8 million (2000: £9.0 million) an increase of 9%, which included

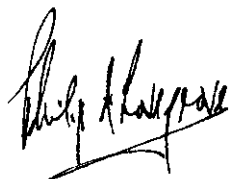
contributions from our acquisitions, Rio/Funnybones and MAP/Marlin House, made during the year.

Pre-tax profit after charging goodwill amortisation is £7.1 million (2000: £6.6 million) an increase over last year of 8%. Adjusted earnings per share before goodwill amortisation rose 8% to 4.51p (2000: 4.19p), while basic earnings per share, calculated after goodwill amortisation rose 3% to 2.73p (2000: 2.64p).

The gearing at the year end rose to 70% (2000: 56%) with net indebtedness of £32.8 million (2000: £24.5 million) as a result of the debt funding of our two acquisitions, Rio/Funnybones and MAP/Marlin House during the year. The Group's financial position remains strong, and interest cover remains comfortable at 5 times.

Current trading is in line with our expectations. Our recent acquisitions are making steady progress and we are optimistic for the coming year.

It is with great sadness that I report the death of Stanley Bard on 18 March 2001. Stanley served as a non-executive Director since 1993 and his influence and counsel will be greatly missed.



PHILIP LOVEGROVE

CHAIRMAN

18 JUNE 2001

FINANCIAL HIGHLIGHTS

	2001 £m	2000 £m	
■ Turnover	120.1	91.4	+31%
■ Operating profit before goodwill amortisation	12.4	10.6	+17%
■ Pre-tax profit before goodwill amortisation	9.8	9.0	+9%
■ Earnings per share - Adjusted (before goodwill amortisation)	4.51p	4.19p	+8%

CHIEF EXECUTIVE'S REVIEW

Against a background of continued pressure within the food-manufacturing industry our performance in the last year has been strong. Our strategy to build our business in high growth categories such as ethnic foods and chilled recipe dishes has seen continued growth. Turnover this year has increased by 31% to £120.1 million. Excluding acquisitions, underlying turnover increased by 15% helped by particularly good performance from our Chilled and Frozen division.

As a result of strategic decisions taken at Noon, Bart and Enco during the first half of the year we had anticipated a short term impact on margins, with recovery coming in through the second half of the year. Operating margins for the full year have shown an increase over those at the interim stage, although for the year as a whole operating margins were behind those of last year.

Product innovation continues to be an important factor in developing new business and driving growth. During the year we launched over one hundred and fifty new products and strengthened our organic and low fat offerings, principally through Bart and Noon. In addition we have won new exclusive agency business at Enco and Chadha. These gains helped to consolidate our position as one of the UK's leading speciality food distributors.

All of our brands achieved good growth and it is particularly pleasing to note that after its introduction only two years ago, Silk Road now accounts for the largest section of turnover within Chadha. Our branded growth has been

achieved by increasing market share and more consumer focused marketing activity.

Sales to the UK supermarket multiples increased by 19% over last year, whilst our trade with the wholesale and cash and carry sector grew by 12%. Exports, although somewhat constrained by the strength of sterling, grew by 15%. As predicted at the interim stage, during the second half of the year we have gained new customers.

We have continued with our programme of investing in our manufacturing capacity with expenditure totalling £1.4 million during the year. This investment included further automation at Noon, additional refurbishment in the Bakery division and the installation of a new high-speed sauce bottling line at the Group packing facility at Corwen. We expect there to be benefits from increased capacity and improved efficiency.

Shortly after the year end we opened WT House, our new 140,000 sq ft purpose built distribution centre at Welwyn Garden City. Both our Grocery division and our Food Service division now operate from this site. The facility is "multi temperature" allowing us to handle ambient, chilled and frozen distribution and will enable us to accommodate future growth and in the longer term it is expected to improve efficiency. Since the year end we have also finalised a site for a third production facility for Noon and building is expected to commence during the second half of this year. We anticipate that we will

require an initial investment of approximately £7 million which will be funded by bank borrowings.

Our staff have worked extremely hard this year in the planning and commissioning of WT House. A large part of the success of our business is due to their enthusiasm, commitment and hard work and their contributions are appreciated. We extend our thanks to them.

We believe the environment for food manufacturers will remain competitive and industry consolidation will continue. WT has a good position in growing niche markets. We will continue to invest where necessary to offset margin pressure where possible and to improve our facilities in order to increase capacity and efficiency. The consumer's need for convenience, and interest in the exotic are strong motivators which, together with the quality of our products and our marketing activities should see our growth continue.

Grocery Division

The Grocery division made good progress with sales achieving an increase of 13% to £34.6 million.

Our principal brands Nurishment, Encona and Silk Road all showed good growth driven by gains in distribution and effective marketing. It was pleasing to note that in our first year of sponsorship of the British Basketball League, the Nurishment sponsored Leicester Riders became British Champions.

Further exclusive agency business has been won with Brunswick Sardines of

Canada and Bahncke Fried Onions of Holland, emphasising our position as a leading UK speciality food supplier.

In October we were pleased to welcome MAP and Marlin House Trading into the Grocery division following their acquisition. The companies import and have manufactured under licence, Caribbean soft drinks and beers, principally under the D & G and Dragon brand names for which they have European Rights. The companies have integrated well and good growth has been achieved for their product ranges with new listings gained with supermarkets.

Herbs & Spices Division

The market for herbs and spices continues to be aggressive which has resulted in margins being put under pressure. Overall Bart grew 4% to £8.0 million with Bart branded products showing good overall volume growth.

The Bart brand continues to extend into other categories and additional launches were made into the organic and low fat sectors. Bart is now a certified importer of organic spices, herbs, vegetables and coconut products. We are also working with organic growing projects in Orissa (Eastern India) to help increase availability of raw material.

Investment in a new high-speed packing line for sauces was made at the Group packing facility in Corwen. The Encona range of sauces are now packed on this site. During the year Bart was awarded British Retail Consortium high level accreditation. This quality standard gives recognition to their competence as a private label supplier.

Chilled and Frozen Division

Noon Products had an excellent year increasing turnover by 25% to £57.1 million reinforcing its position as the UK's largest supplier of chilled Indian recipe dishes. Margin during the first half suffered due to operational constraints and the costs involved with gaining new business, but it rose steadily through the second half as the benefits of investment in automation came into effect.

Many new products were launched during the year including organic and low fat alternatives.

Excellent growth from existing customers together with new business wins means that the existing facilities are nearing capacity and planning for an additional production facility is well underway. A site has been secured and construction of a new 100,000 sq ft facility is expected to commence during 2001.

Food Service Division

Rio/Funnybones have been with the Group for eleven months and achieved a turnover of £13.0 million during the year under review. The integration of Rio/Funnybones has been very successful and they are now actively selling many Group products as well as being the main sale outlet for tortillas from La Mexicana into the food service sector.

The year started slowly for Rio/Funnybones having experienced the effect of the US Dollar strength on its imports, a relatively poor summer generally in food service and the problems caused by the fuel crisis last September. These were further exacerbated by the loss of one of its major customers. Since our interim results we have seen a gradual strengthening of the business with new customer gains and the launch of over sixty new products.

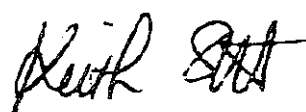
Shortly after the year end, Rio/Funnybones moved to our new distribution facility. This will remove many of the constraints that the business suffered at its Watford location caused by insufficient space and inefficient systems. In addition a new, larger site has been secured in Mansfield in order to replace the existing Northern depot.

Bakery Division

The Bakery division increased turnover by an underlying 10% over last year to £7.4 million.

Following the completion of Eghoyan's re-organisation, sales of Naan bread are continuing to rise and La Mexicana has continued to expand sales to its core customers as well as winning new supermarket own label business for Tortillas and Chapattis.

Sales of bakery products to food service customers are now being undertaken by Rio/Funnybones, and during this current year a new Tortilla production line will be introduced to cope with increased demand.



KEITH STOTT

CHIEF EXECUTIVE

18 JUNE 2001

DIRECTORS

Philip Lovegrove, aged 63, 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. He is chairman of the audit and remuneration committees, and is the senior independent director.

Keith Stott (Chief Executive), aged 42, 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 48, was appointed to the board in June 1996. He has over 22 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 57, joined the board in June 1996. He has over 26 years' experience in the food industry, specialising in the development, sourcing and marketing of ethnic and speciality food 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 52, 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.

Michael Morgan, aged 63, became a non-executive director in October 1997. He was previously international buying director for the J. Sainsbury Group. He is a member of the audit and remuneration committees.

G. K. Noon MBE, aged 65, became a non-executive director in January 1999 on the acquisition of Noon Group plc, which he founded in 1989. He is a member of the remuneration committee.

REPORT OF THE DIRECTORS

Year ended 31 March 2001

The directors present their report, together with the audited accounts of the Group, for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal companies in the Group and their activities are detailed on page 34. Reviews of the year and comments on future developments are contained in the Chairman's Statement and Chief Executive's Review on pages 2 to 6.

RESULTS AND DIVIDENDS

The results for the year are set out in the Group profit and loss account on page 15.

An interim dividend of 0.75p per ordinary share was paid on 30 December 2000 (2000: 0.75p).

The directors do not recommend a final dividend (2000: 1.1p per ordinary share).

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 2001 were as follows:

	31 March 2001			1 April 2000		
	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	1,446,456	790,000
R J Garland	91,579	1,446,456	790,000	91,579	1,446,456	790,000
J E Brennan	185,368	1,446,455	790,000	185,368	1,446,455	790,000
E C V Shaw	440,000	1,446,455	790,000	440,000	1,446,455	790,000
M D Morgan	68,475	-	-	68,475	-	-
G K Noon	13,875,000	-	-	13,875,000	-	-

Mr Brennan's shareholding includes 48,000 ordinary shares held non-beneficially (2000: 48,000 ordinary shares).

Mr Noon's shareholding includes 1,800,000 ordinary shares held non-beneficially (2000: 1,800,000 ordinary shares).

Mr Shaw's shareholding includes 220,000 ordinary shares held non-beneficially (2000: 220,000 ordinary shares).

There have been no further changes in the above shareholdings between 31 March and 18 June 2001.

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

Mr Bard ceased to be a director upon his death on 18 March 2001.

REPORT OF THE DIRECTORS

Year ended 31 March 2001

SUBSTANTIAL SHAREHOLDINGS

The company has been notified of the following holdings which at 18 June 2001 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	11.34
The Equitable Life Assurance Society	15,498,879	10.18
Caledonia Investment plc	11,000,000	7.23
Standard Life Investments Limited	7,878,825	5.18
Ruffer Investment Management Limited	4,899,800	3.22
Equitable Smaller Company Trust	4,658,253	3.06

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 2001, the trade creditors represented 54 days' annual purchases (2000: 52 days).

ANNUAL GENERAL MEETING - SPECIAL BUSINESS

Formal notice of the forthcoming Annual General Meeting is given on page 35. Resolution 5 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 £1,902,622, 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 19 October 2002 whichever is the earlier. The directors intend to seek renewal of this power at subsequent Annual General Meetings.

The directors consider that the above proposal to be considered at the Annual General Meeting is in the best interests of the company and the shareholders as a whole and recommend that you vote in favour of the proposed resolution, 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 £3,210 (2000: £2,642).

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 18 JUNE 2001

ALAN MARTIN

SECRETARY



CORPORATE GOVERNANCE

Year ended 31 March 2001

STATEMENT OF COMPLIANCE

There is a 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 2001 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 2001:

- 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 2000 the Board did not consider seeking shareholder approval of the Group's remuneration policy.

BOARD COMPOSITION

Until 18 March 2001 the Group was headed by a Board comprising eight members - a non-executive Chairman, the Chief Executive, three other executive directors and two non-executive directors, 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 Bard, a non-executive director, who died on 18 March 2001, has not been replaced. The Board 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.

Subsidiary trading companies are managed by separate boards whose composition includes a minimum of two Group executive directors. Minutes of the board meetings are circulated to and reviewed by the executive directors of the Group.

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 directors' remuneration and a statement of the Group's remuneration policy are set out in the Remuneration Report on pages 11 and 12.

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 in respect of the accounts are set out on pages 13 and 14 and the directors' statement on going concern appears on page 11.

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 has established procedures, which were implemented in April 2001, to improve its risk management and implement the Turnbull Guidance. In this context, the Board considers risk management and internal control on a regular basis and the procedures 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.

An Audit Committee, which comprised 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. The committee meets at least twice a year and provides communications between the external auditors and the non-executive directors who have full authority to investigate the Group's affairs. The committee does not consider that there is a need for an internal audit function.

GOING CONCERN

After making enquires, 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 REPORT

The Remuneration Committee is currently chaired by Mr P A Lovegrove and comprises 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 have been satisfied and the Deferred Shares have become convertible into Ordinary Shares on a one for one basis. In addition, the new Unapproved Share Option Scheme 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 and directors' share options are shown below and on page 12, and the directors' holdings of Deferred Shares are disclosed in the Directors' Report.

DIRECTORS' EMOLUMENTS

Summary

	2001 £'000	2000 £'000
Executive directors' emoluments	653	494
Non-executive directors' emoluments	88	85
Pension contributions	48	46
	789	625

CORPORATE GOVERNANCE

Year ended 31 March 2001

DIRECTORS' EMOLUMENTS CONTINUED

Analysis

	Salaries and fees £'000	Performance related bonus £'000	Benefits £'000	Total emoluments £'000	Pension contributions £'000	2001 Total emoluments and pension contributions £'000	2000 Total emoluments £'000	2000 Pension contributions £'000
Executive directors								
K J Stott	136	40	9	185	14	199	138	13
R J Garland	136	40	9	185	14	199	138	10
J E Brennan	105	26	11	142	10	152	109	10
E C V Shaw	106	25	10	141	10	151	109	10
Non-executive directors								
P A Lovegrove	23	-	-	23	-	23	23	-
S Bard	18	-	-	18	-	18	18	-
M D Morgan	28	-	-	28	-	28	27	-
G K Noon	19	-	-	19	-	19	17	-
Total	571	131	39	741	48	789	579	46

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

Directors' emoluments shown above (excluding pension contributions) include £185,000 paid to the highest paid director (2000: £138,000).

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 2000 and 31 March 2001	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

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 2000 and 31 March 2001	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 2001 was 36 pence and during the year the quoted price ranged between 27 1/2 pence and 52 pence.

DIRECTORS' INTERESTS IN CONTRACTS

At 31 March 2001, Mr Noon had a beneficial interest in the deferred consideration of £5,906,250 (2000: £7,500,000) relating to the acquisition of Noon Group plc. During the year ended 31 March 2001, Mr Noon has received interest of £247,000 (2000: £83,000) from his beneficial holding of the First and Second Tranche Loan Notes.

In addition to the above, an amount of £120,000 (2000: Nil) has been paid to Noon Consultancy Limited during the year, a company in which Mr Noon has a 50% interest. At 31 March 2001, £30,000 was owed by the Group to that company. With the exception of Mr Noon's interests 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.

INDEPENDENT AUDITORS' REPORT

to the members of WT Foods plc

We have audited the financial statements of WT Foods plc for the year ended 31 March 2001 on pages 15 to 34. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and the United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. 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 1985. 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 company and other members of the Group is not disclosed.

We review whether the Corporate Governance statement on pages 10 to 12 reflects the Group'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 and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 2001 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
18 JUNE 2001

BDO Stoy Hayward

GROUP PROFIT & LOSS ACCOUNT

Year ended 31 March 2001

	Notes	Continuing Operations 2001 £'000	Acquisitions 2001 £'000	2001 £'000	2000 £'000
Turnover	2	105,559	14,572	120,131	91,399
Operating profit before goodwill amortisation		11,529	829	12,358	10,558
Goodwill amortisation		(2,345)	(365)	(2,710)	(2,364)
Operating profit	2	9,184	464	9,648	8,194
Interest receivable and similar income	4			19	54
Interest payable and similar charges	4			(2,550)	(1,629)
Profit on ordinary activities before taxation	5			7,117	6,619
Taxation on profit on ordinary activities	7			(2,949)	(2,583)
Profit on ordinary activities after taxation				4,168	4,036
Equity minority interest				(12)	(23)
Profit for the financial year attributable to shareholders				4,156	4,013
Dividends	8			(1,141)	(2,814)
Retained surplus for the year	26			3,015	1,199
Earnings per share	9				
- basic				2.73p	2.64p
- adjusted				4.51p	4.19p
- diluted				2.70p	2.56p
- adjusted diluted				4.46p	4.07p
Dividend per share				0.75p	1.85p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2001

	Note	2001 £'000	2000 £'000
Profit for the financial year		4,156	4,013
Prior year adjustments	27	(232)	
Total gains and losses recognised since last annual report		3,924	

GROUP BALANCE SHEET

Year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	10	51,520	44,417
Tangible assets	11	18,086	19,735
		69,606	64,152
Current assets			
Stocks	14	9,243	6,623
Debtors	15	20,812	12,846
Cash at bank and in hand		1,323	217
		31,378	19,686
Creditors (amounts falling due within one year)	16		
Bank and other borrowings		(16,627)	(4,426)
Other borrowings - convertible		(2,563)	-
Other creditors		(19,864)	(15,216)
		(39,054)	(19,642)
Net current (liabilities)/assets		(7,676)	44
Total assets less current liabilities		61,930	64,196
Creditors (amounts falling due after more than one year)	17		
Bank and other borrowings		(12,531)	(15,311)
Other borrowings - convertible		(2,437)	(5,000)
Other creditors		(250)	-
		(15,218)	(20,311)
Net assets		46,712	43,885
Capital and reserves			
Called up share capital	21	38,056	38,043
Share premium account	23	15,372	15,369
Other reserves	25	6,876	6,876
Profit and loss account	26	(13,593)	(16,608)
Shareholders' funds (including non-equity)	28	46,711	43,680
Equity minority interest		1	205
Total capital employed		46,712	43,885

APPROVED BY THE BOARD ON 18 JUNE 2001

K J STOTT

R J GARLAND

DIRECTORS

PARENT COMPANY BALANCE SHEET

Year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	11	206	220
Investments	13	72,916	69,274
		73,122	69,494
Current assets			
Debtors	15	22,916	16,420
Cash at bank and in hand		1,281	-
		24,197	16,420
Creditors (amounts falling due within one year)	16		
Bank and other borrowings		(15,356)	(5,427)
Other borrowings - convertible		(2,563)	-
Other creditors		(1,009)	(2,687)
		(18,928)	(8,114)
Net current assets		5,269	8,306
Total assets less current liabilities		78,391	77,800
Creditors (amounts falling due after more than one year)	17		
Bank and other borrowings		(11,108)	(12,700)
Other borrowings - convertible		(2,437)	(5,000)
Other creditors		(730)	(480)
		(14,275)	(18,180)
Net assets		64,116	59,620
Capital and reserves			
Called up share capital	21	38,056	38,043
Share premium account	23	15,372	15,369
Revaluation reserve	24	1,049	1,049
Other reserves	25	193	193
Profit and loss account	26	9,446	4,966
Shareholders' funds (including non-equity)	28	64,116	59,620

APPROVED BY THE BOARD ON 18 JUNE 2001

K J STOTT

R J GARLAND

DIRECTORS

GROUP CASH FLOW STATEMENT

Year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	30	10,279	10,595
Returns on investments and servicing of finance			
Interest received		23	65
Interest paid		(2,221)	(1,241)
Hire purchase and finance lease interest		(324)	(369)
		(2,522)	(1,545)
Tax paid		(2,686)	(2,499)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,931)	(1,619)
Proceeds on disposal of tangible fixed assets		3,442	201
		511	(1,418)
Acquisitions and disposals			
Acquisitions of subsidiary undertakings	34/35	(6,057)	68
Net bank balances acquired with subsidiary undertakings	34	243	-
		(5,814)	68
Equity dividends paid		(2,814)	(2,662)
Net cash (outflow)/inflow before financing		(3,046)	2,539
Financing			
Issue of share capital (net of expenses)		16	4
Bank loan advanced		17,592	-
Bank loan repaid		(12,774)	(1,834)
Loan notes redeemed		(1,569)	-
Capital element of finance lease payments	32	(1,766)	(2,101)
Net cash inflow/(outflow) from financing		1,499	(3,931)
Decrease in cash	31	(1,547)	(1,392)

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

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, and have been prepared in accordance with applicable accounting standards.

(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

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, 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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

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) Financial Assets and Liabilities

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

2 ANALYSIS OF TURNOVER AND OPERATING PROFIT

	2001 Continuing Operations £'000	2001 Acquisitions £'000	2001 £'000	2000 as restated (note 27) £'000
Turnover by Geographical Area:				
United Kingdom	100,852	13,917	114,769	87,772
Europe	3,382	621	4,003	3,287
Rest of the World	1,325	34	1,359	340
Total turnover	105,559	14,572	120,131	91,399
Cost of sales	(72,300)	(9,795)	(82,095)	(62,420)
Gross profit	33,259	4,777	38,036	28,979
Distribution costs	(7,307)	(2,188)	(9,495)	(5,570)
Administrative expenses				
- Other administrative expenses	(14,423)	(1,760)	(16,183)	(12,851)
- Goodwill amortisation	(2,345)	(365)	(2,710)	(2,364)
Operating profit	9,184	464	9,648	8,194

3 SEGMENTAL ANALYSIS

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

	2001 £'000	2000 £'000
Parent company	(29,517)	(25,233)
Food manufacturing and distribution	76,229	69,118
	46,712	43,885

4 NET INTEREST

Interest Receivable and Similar Income	2001 £'000	2000 £'000
Bank and other interest	19	54
Interest Payable and Similar Charges	2001 £'000	2000 £'000
On bank loans and overdrafts	1,485	937
On other loans repayable wholly within five years	756	323
Hire purchase and finance lease interest	309	369
	2,550	1,629

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

is stated after charging/(crediting):	2001 £'000	2000 £'000
Depreciation of owned assets	1,419	1,110
Depreciation of leased assets	959	1,084
Goodwill amortisation	2,710	2,364
Operating lease rentals		
- land and buildings	1,282	1,132
- other	1,038	464
Rent receivable	(187)	(158)
Auditors' remuneration		
- audit services	94	76
- non audit services	35	15
Provision for group incentive scheme	-	69

In addition to the above, there were other payments to BDO Stoy Hayward of £111,000 (2000: nil) in respect of acquisitions.

Audit fees in respect of the company were £25,000 (2000: £23,000).

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

6 EMPLOYEES

(a) Staff costs

	2001 £'000	2000 £'000
Wages and salaries	17,515	13,184
Social security costs	1,546	1,192
Other pension costs	312	234
	19,373	14,610

Details of directors' remuneration are given in the Remuneration Report on pages 11 and 12.

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

	2001 Number	2000 Number
Production	886	796
Selling and administration	263	129
	1,149	925

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
UK current taxation		
Corporation tax charge	2,962	2,643
Adjustment for previous years	(13)	(60)
	2,949	2,583

The corporation tax charge for 2000 has been reduced by £10,000 due to the prior year adjustment disclosed in note 27.

Had full provision been made for deferred tax, the tax charge for the year would have increased by £49,000 (2000: £212,000).

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

	2001 £'000	2000 £'000
Interim paid - 0.75p per share (2000: 0.75p)	1,141	1,141
Final proposed - nil per share (2000: 1.1p)	-	1,673
	1,141	2,814

9 EARNINGS PER SHARE

Basic earnings per share has been calculated on profits of £4,156,000 (2000: £4,013,000 after restatement) and a weighted average number of shares in issue during the year of 152,192,416 (2000: 152,151,124).

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 £4,156,000 (2000: £4,013,000 after restatement) and a weighted average number of shares of 153,966,565 (2000: 156,625,907). 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 2001 £'000	Adjusted 2001 £'000	Diluted 2001 £'000	Adjusted Diluted 2001 £'000	Basic 2000 £'000	Adjusted 2000 £'000	Diluted 2000 £'000	Adjusted Diluted 2000 £'000
Earnings adjustments								
Profit for the financial year attributable to shareholders	4,156	4,156	4,156	4,156	4,013	4,013	4,013	4,013
Goodwill amortisation	-	2,710	-	2,710	-	2,364	-	2,364
	4,156	6,866	4,156	6,866	4,013	6,377	4,013	6,377
Number of shares (thousands)	152,192	152,192	153,966	153,966	152,151	152,151	156,626	156,626
Earnings per share (pence)	2.73p	4.51p	2.70p	4.46p	2.64p	4.19p	2.56p	4.07p
Number of shares (thousands)								
Basic weighted average number of shares			152,192	152,192			152,151	152,151
Dilution arising from options under the								
- Approved Share Option Scheme			114	114			338	338
- Group Incentive Scheme			1,660	1,660			3,153	3,153
- Convertible Second Tranche Loan Notes			-	-			984	984
Diluted weighted average number of shares			153,966	153,966			156,626	156,626

10 INTANGIBLE FIXED ASSETS

	Cost £'000	Amortisation £'000	Net book Value £'000
Goodwill - Group			
At 1 April 2000	47,340	(2,923)	44,417
Additions (notes 34 and 35)	9,813	-	9,813
Amortisation for the year	-	(2,710)	(2,710)
At 31 March 2001	57,153	(5,633)	51,520

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 2000	5,534	939	2,803	18,056	1,547	28,879
Additions	127	11	75	2,935	787	3,935
Acquisitions of subsidiaries	-	-	14	214	134	362
Disposals	(2,475)	-	-	(1,098)	(498)	(4,071)
At 31 March 2001	3,186	950	2,892	20,107	1,970	29,105
Depreciation						
At 1 April 2000	512	87	508	7,435	602	9,144
Charge for the year	71	21	160	1,735	391	2,378
Acquisitions of subsidiaries	-	-	1	123	35	159
Disposals	(119)	-	-	(256)	(287)	(662)
At 31 March 2001	464	108	669	9,037	741	11,019
Net Book Value						
At 31 March 2001	2,722	842	2,223	11,070	1,229	18,086
At 31 March 2000	5,022	852	2,295	10,621	945	19,735

At 31 March 2001, fixed assets with a net book value of £4,581,000 (2000: £6,376,000) were held under finance leases and hire purchase agreements.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

11 TANGIBLE FIXED ASSETS CONTINUED

Parent Company

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2000	107	229	336
Additions	4	90	94
Disposals	-	(42)	(42)
At 31 March 2001	111	277	388
Depreciation			
At 1 April 2000	59	57	116
Charge for the year	21	65	86
Disposals	-	(20)	(20)
At 31 March 2001	80	102	182
Net Book Value			
At 31 March 2001	31	175	206
At 31 March 2000	48	172	220

At 31 March 2001, fixed assets with a net book value of £175,000 (2000: £172,000) were held under finance leases and hire purchase agreements.

12 CAPITAL COMMITMENTS

	Group 2001 £'000	Group 2000 £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
Capital expenditure contracted for but not provided	1,279	829	-	-

13 FIXED ASSETS - INVESTMENTS

	Parent Company 2001 £'000
Investment in subsidiary undertakings	
Cost or valuation	
At 1 April 2000	69,638
Acquisitions	3,642
At 31 March 2001	73,280
Provision for diminution in value	
At 1 April 2000 and at 31 March 2001	(364)
Net Book Value	
Stated at cost	68,592
Stated at 1993 valuation	4,324
At 31 March 2001	72,916
At 31 March 2000	69,274

The historical cost of investments in subsidiary undertakings at 31 March 2001 was £72,204,000 (2000: £68,562,000). Details of the company's principal subsidiary undertakings are given in note 37.

On 4 December 2000, the company acquired the 5% minority interest in Chadha Oriental Foods Limited ("Chadha") for £521,000.

The company has an option to purchase the 5% minority interest in Rio Pacific Food Services (Holdings) Limited ("RPFSH") held by Mr H S Werter at any time after 14 April 2004 based on a multiple of 8.4 times 5% of the profit before tax of Funnybones and RPFSH for the year ended 31 March 2003 subject to a maximum consideration of £2,500,000. The company also has an option to acquire the 1% minority interest in RPFSH held by Mr R P 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.

14 STOCKS

	Group 2001 £'000	Group 2000 £'000
Raw materials	2,914	2,376
Work in progress	160	120
Finished goods	6,169	4,127
	9,243	6,623

15 DEBTORS

	Group 2001 £'000	Group 2000 £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
Trade debtors	17,698	10,936	-	-
Other debtors	608	572	105	82
Amounts owed by subsidiary undertakings	-	-	21,197	16,185
Corporation tax recoverable	1,116	84	1,116	-
Prepayments and accrued income	1,390	1,254	498	153
	20,812	12,846	22,916	16,420

All amounts are receivable within one year.

16 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group 2001 £'000	Group 2000 (as restated) £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
Bank loans and overdrafts (note 19)	6,002	2,195	10,367	4,706
Loan Notes (note 17):				
Guaranteed Redeemable Loan Notes 2005	4,000	650	4,000	650
Guaranteed Redeemable Loan Notes 2006	906	-	906	-
Convertible Redeemable Loan Notes 2007	2,563	-	2,563	-
Guaranteed Redeemable Loan Notes 2007	4,252	-	-	-
Hire purchase and finance lease creditors (note 19)	1,467	1,581	83	71
Amounts due to subsidiary undertakings	-	-	-	125
Trade creditors	13,587	9,361	608	166
Other creditors	82	103	-	-
Corporation tax	2,830	1,743	-	451
Other taxes and social security costs	667	439	82	58
Accruals	2,698	1,897	319	214
Proposed final dividend (note 8)	-	1,673	-	1,673
	39,054	19,642	18,928	8,114

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

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

	Group 2001 £'000	Group 2000 £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
Bank loans (note 19)	11,101	7,437	11,101	6,831
Loan Notes:				
Guaranteed Redeemable Loan Notes 2005	-	3,350	-	3,350
Guaranteed Redeemable Loan Notes 2006	-	2,475	-	2,475
Convertible Redeemable Loan Notes 2007	2,437	5,000	2,437	5,000
Deferred consideration	250	-	250	-
Hire purchase and finance lease creditors (note 19)	1,430	2,049	7	44
Amounts owed to subsidiary undertakings	-	-	480	480
	15,218	20,311	14,275	18,180

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 the Noon Group

The deferred consideration for the Noon Group comprises:

(a) First Tranche Loan Notes:

Guaranteed Redeemable Loan Notes 2006 ("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. The First Tranche Loan Notes bear interest at Nat West base rate. The First Tranche Loan Notes were fully redeemed in April 2001 by utilising the medium-term syndicated loan facility from Nat West and Rabobank International.

(b) Second Tranche Loan Notes:

Convertible Redeemable Loan Notes 2007 ("Second Tranche Loan Notes") of £5 million were issued in September 2000 following 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. In a Supplemental Agreement dated 3 May 2000, Mr G K Noon agreed that he shall defer his right to redeem his Second Tranche Loan Notes for cash at least until June 2002. The Second Tranche Loan Notes are unsecured and bear interest at Nat West base rate from 1 July 2000.

Guaranteed Redeemable Loan Notes 2007

Guaranteed Redeemable Loan Notes 2007 ("The Rio Pacific Loan Notes") were issued by Rio Pacific Food Services (Holdings) Limited on the acquisition of Rio Pacific Food Services Limited. The Rio Pacific Loan Notes are redeemable on 3 May 2007, but may be redeemed, in part, at any time prior to 3 May 2007 at the option of the holder. The Rio Pacific Loan Notes are guaranteed by Nat West and bear interest at Nat West base rate.

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 2001, for which provision has not been made, is as follows:

	Group 2001 £'000	Group 2000 £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
Accelerated capital allowances	1,548	1,495	-	-
Other timing differences	(8)	(4)	-	-
	1,540	1,491	-	-
Revaluation of tangible fixed assets	-	508	-	-
	1,540	1,999	-	-

At 31 March 2001, there were unutilised trading losses available to be carried forward by the parent company of approximately £32,000 (2000: £32,000).

19 BORROWINGS

	Group 2001 £'000	Group 2000 £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
(a) Obligations under hire purchase and finance leases				
These are repayable as follows:				
In one year or less or, on demand	1,467	1,581	83	71
In more than one year but not more than two years	1,070	1,061	7	44
In more than two years but not more than five years	360	988	-	-
	2,897	3,630	90	115
(b) Bank loans and overdrafts				
These are repayable as follows:				
In one year or less or, on demand	6,002	2,195	10,367	4,706
In more than one year but not more than two years	3,849	2,168	3,849	1,980
In more than two years but not more than five years	6,887	5,269	6,887	4,851
In more than five years	365	-	365	-
	17,103	9,632	21,468	11,537
(c) Loan Notes				
These are repayable as follows:				
In one year or less or, on demand	11,721	650	7,469	650
In more than one year but not more than two years	2,437	5,700	2,437	5,700
In more than two years but not more than five years	-	3,739	-	3,739
In more than five years	-	1,386	-	1,386
	14,158	11,475	9,906	11,475
Total Borrowings	34,158	24,737	31,464	23,127

On 4 May 2000, the Group replaced its existing bank facility with a new £30.0 million medium term syndicated bank facility with Nat West and Rabobank International, which is repayable over seven years and bears interest at 1.5% over Nat West base rate. The facility refinanced the existing bank loans and the Noon Group and Eghoyan Loan Notes. The facility also provided funds for the acquisitions of subsidiaries (note 34).

Hire purchase and finance leases are secured against the assets to which they relate (note 11). The bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group. The Loan Notes are unsecured but are, in part, guaranteed by Nat West (note 17). The interest rates applicable to the Loan Notes are given in note 17.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

20 FINANCIAL COMMITMENTS

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

	Land and buildings 2001 £'000	Land and buildings 2000 £'000	Other 2001 £'000	Other 2000 £'000
Within 1 year	-	-	6	21
Between 2 and 5 years	209	163	835	362
After 5 years	1,889	896	-	-
	2,098	1,059	841	383

21 CALLED UP SHARE CAPITAL

Authorised:

	Group and Parent Company 2001 £'000	Group and Parent Company 2000 £'000
220,386,088 (2000: 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 2000	152,159,731	-	38,040
Exercise of share options			
- 10 July 2000	10,000	38.5p	3
- 10 July 2000	30,000	29.8p	7
- 14 November 2000	10,000	30.0p	3
At 31 March 2001	152,209,731		38,053

	Number	Issue Price (pence)	Nominal Value £'000
Non-voting deferred convertible redeemable shares of 0.05p each (non-equity)			
At 1 April 2000	6,957,280	-	3
Conversion 14 November 2000	(10,000)	-	-
Cancellation of shares on employees leaving	(223,500)	-	-
At 31 March 2001	6,723,780		3
Total allotted and fully paid			38,056

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 became 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.

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 2001 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
20,000	42.7p	1 Feb 1997 - 31 Jan 2004
44,412	35.3p	1 Jan 1998 - 31 Dec 2004
96,844	38.5p	1 Jul 1998 - 30 Jun 2005
530,000	29.8p	1 Aug 1999 - 31 Jul 2006
745,000		

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

22 SHARE OPTION SCHEMES CONTINUED

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 2001.

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 Price 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.

23 SHARE PREMIUM ACCOUNT

	Group & Parent Company 2001 £'000	Group & Parent Company 2000 £'000
At 1 April 2000	15,369	15,367
Premium arising on shares allotted	3	2
At 31 March 2001	15,372	15,369

24 REVALUATION RESERVE

	Group £'000	Parent Company £'000
At 1 April 2000 and 31 March 2001	-	1,049

25 OTHER RESERVES

	Group £'000	Parent Company £'000
At 1 April 2000 and 31 March 2001	6,876	193

At 31 March 2001, the Group's other reserves included £6,683,000 relating to the merger reserve (2000: £6,683,000).

26 PROFIT AND LOSS ACCOUNT

	Group £'000	Parent Company £'000
At 1 April 2000 - as previously reported	(16,376)	4,966
Prior year adjustments (note 27)	(232)	-
At 1 April 2000 - as restated	(16,608)	4,966
Retained profit for the year	3,015	4,480
At 31 March 2001	(13,593)	9,446

The profit for the year attributable to the parent company was £5,621,000 (2000: £5,723,000) after crediting intra-group dividends of £6,650,000 (2000: £6,450,000). Goodwill charged to reserves in respect of retained businesses is £19,179,000 (2000: £19,179,000).

27 PRIOR YEAR ADJUSTMENT

Previously, holiday pay was accounted for on a cash basis. The directors have now adopted an accounting policy whereby provision is made for holidays earned but not taken during the year. This change in accounting policy has reduced the operating profits by £23,000 (2000: £33,000) and the profit after taxation by £23,000 (2000: £23,000). Creditors at 31 March 2001 reflect a provision of £365,000 (2000: £342,000) in respect of holiday pay (included within accruals) and an associated tax recovery of £110,000 (2000: £110,000) (reflected within the corporation tax liability).

28 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2001 £'000	Group 2000 as restated £'000	Parent Company 2001 £'000	Parent Company 2000 £'000
At 1 April 2000 - as previously reported	43,912	42,408	59,620	56,638
Prior year adjustments (note 27)	(232)	-	-	-
At 1 April 2000 - as restated	43,680	42,408	59,620	56,638
Profit for the financial year	4,156	4,013	5,621	5,723
Dividends	(1,141)	(2,814)	(1,141)	(2,814)
New share capital subscribed	16	4	16	4
Provision for group incentive scheme	-	69	-	69
At 31 March 2001	46,711	43,680	64,116	59,620

Included in the above are non-equity shareholders' funds of £3,000 (2000: £3,000).

29 CONTINGENT LIABILITIES

Parent Company

At 31 March 2001, the company has guaranteed the annual rental commitment of a subsidiary undertaking amounting to £140,000 (2000: £140,000) in the ordinary course of business. Also the company has guaranteed bank and other borrowings, hire purchase and finance lease agreements of subsidiary undertakings amounting in aggregate to £2,693,000 (2000: £6,606,000).

30 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group 2001 £'000	Group 2000 as restated £'000
Operating profit	9,648	8,194
Depreciation of tangible fixed assets	2,378	2,194
Goodwill amortisation	2,710	2,364
Profit on sale of tangible fixed assets	(33)	(23)
Provision for group incentive scheme	-	69
Increase in stocks	(1,689)	(1,497)
Increase in debtors	(4,894)	(1,396)
Increase in creditors	2,159	690
Net cash inflow from operating activities	10,279	10,595

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

31 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group 2001 £'000	Group 2000 £'000
Decrease in cash in the year	(1,547)	(1,392)
Cash (inflow)/outflow from debt financing	(1,483)	3,935
Change in net debt resulting from cash flows	(3,030)	2,543
Loans and finance leases acquired with subsidiaries	(29)	-
Loan notes issued for the acquisition of subsidiary (note 34)	(4,252)	-
New finance leases	(1,004)	(578)
Movement in net debt in the year	(8,315)	1,965
Net debt at 1 April 2000	(24,520)	(26,485)
Net debt at 31 March 2001	(32,835)	(24,520)

32 ANALYSIS OF CHANGE IN NET DEBT

	At 1 April 2000 £'000	Cash Flow £'000	Acquisitions excluding cash and overdrafts	Other non- cash changes £'000	At 31 March 2001 £'000
Cash at bank and in hand	217	1,106	-	-	1,323
Bank overdraft	-	(2,653)	-	-	(2,653)
	217	(1,547)	-	-	(1,330)
Debt due within one year	(2,845)	(3,066)	-	(9,159)	(15,070)
Debt due after one year	(18,262)	(183)	-	4,907	(13,538)
Finance leases	(3,630)	1,766	(29)	(1,004)	(2,897)
Total (note 31)	(24,520)	(3,030)	(29)	(5,256)	(32,835)

33 MAJOR NON-CASH TRANSACTIONS

During the year the Group entered into finance lease arrangements with a total capital value at the inception of the leases of £1,004,000 (2000: £578,000) and issued loan notes of £4,252,000 as part consideration for the acquisition of Funnybones (note 34).

34 PURCHASE OF SUBSIDIARY UNDERTAKINGS

On 4 May 2000, the Group acquired the ordinary share capital of Rio Pacific Food Services Limited (now called Funnybones Foodservices Limited) ("Funnybones"). The interest was acquired by Rio Pacific Food Services (Holdings) Limited ("RPFSH") which is 94% owned by the Group.

On 28 October 2000, the company acquired the entire ordinary share capital of Marlin House Trading Company Limited ("Marlin House") and The Marketing & Advertising Partnership Limited ("MAP"). As Marlin House and MAP were purchased from the same group of vendors and they had a considerable degree of inter-dependence, they have been treated as one acquisition in the figures shown.

These acquisitions have been accounted for under the acquisition method of accounting.

34 PURCHASE OF SUBSIDIARY UNDERTAKINGS continued

Details of these acquisitions are shown below:

	Funnybones £'000	Marlin House and MAP £'000	Total £'000
Provisional fair values of separable net assets acquired:			
Tangible fixed assets	166	37	203
Stock	814	167	981
Cash at bank	(7)	250	243
Debtors	1,795	437	2,232
Creditors - finance leases	(29)	-	(29)
- other	(2,213)	(857)	(3,070)
Book values	526	34	560
Fair value adjustments - stock	(50)	-	(50)
- debtors	(100)	-	(100)
- taxation	100	20	120
Goodwill	6,441	3,067	9,508
Consideration	6,917	3,121	10,038
Satisfied by:			
Cash (including expenses)	2,665	2,871	5,536
Loan notes issued by RPFSH	4,252	-	4,252
Deferred consideration (note 17)	-	250	250
	6,917	3,121	10,038

The goodwill of £9,508,000 arising on the above acquisitions has been capitalised and is being amortised over 20 years.

The fair value adjustments to stock and debtors represent alignments of accounting policy.

The taxation adjustment relates to the recognition of corporation tax assets.

The subsidiary undertakings acquired during the period contributed £3,000 to the Group's net operating cash flows, paid £3,000 in respect of interest, paid £38,000 in respect of taxation, paid £41,000 in respect of finance leases and utilised £69,000 for capital expenditure.

The profits or losses after taxation of the acquired undertakings for the periods prior to acquisition were as follows:

	Profit/(loss) after tax £'000
Funnybones	
From 1 October 1999 to 4 May 2000	(251)
From 1 October 1998 to 30 September 1999	148
Marlin House/MAP	
From 1 January 2000 to 28 October 2000	(106)
From 1 January 1999 to 31 December 1999	190

35 ACQUISITION OF MINORITY INTEREST

On 4 December 2000, the company purchased the 5% minority interest in Chadha Oriental Foods Limited for a consideration of £521,000. Goodwill of £305,000 arose on the purchase which is calculated as follows:

	£'000
Minority interest	
At 31 March 2000	205
Share of profits for the period from 1 April 2000 to 4 December 2000	11
	216
Goodwill	305
Cash consideration	521

The 95% interest in Chadha was acquired during the year ended 31 March 1998 and the associated goodwill was written off to reserves. The goodwill arising on the purchase of the minority interest is being written off over 17 years from December 2000.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

36 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 2001 and there were no transactions in derivatives. Where necessary, the Group has financed its operations by means of borrowings denominated largely in sterling at variable rates of interest. The interest rates are determined by reference to LIBOR.

The financial assets and liabilities at 31 March 2001 can be summarised by currency as follows:

	Financial liabilities		Financial assets	
	Group 2001 £'000	Group 2000 £'000	Group 2001 £'000	Group 2000 £'000
Sterling	31,974	24,737	1,006	217
US Dollars	1,880	-	317	-
Other currencies	303	-	-	-
	34,157	24,737	1,323	217

At 31 March 2000, Group borrowings at fixed rates of interest totalled £561,000 and the weighted average interest rate relating to these fixed rate sterling liabilities was 8.95%. The weighted average period over which the interest rates on the fixed rate financial liabilities is fixed, was 46 months. At 31 March 2000, there was also Deferred Consideration of £5 million on which no interest was paid during the year then ended, which became interest bearing from 1 July 2000.

At 31 March 2001, 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.

At 31 March 2001, there were undrawn committed borrowing facilities as follows:

Expiry date:	£'000
In one year or less	3,543
In more than two years	12,408
	15,951

37 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*	Distributor of speciality food
La Mexicana Quality Foods Limited	Manufacture of Mexican food and bakery products
Chadha Oriental Foods Limited	Distributor of Oriental food
Eghoyan's Pitta Bakery Limited	Manufacture of speciality breads
Noon Products Limited*	Manufacture of chilled and frozen recipe food
Funnybones Foodservices Limited* (94% owned)	Distributor of American, Cajun and Tex-mex food
The Marketing and Advertising Partnership Limited	Distributor of Caribbean soft drinks
Marlin House Trading Company Limited	Distributor of Caribbean beers

* 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 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 20 July 2001 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 2001.
- 2 To re-elect Mr E C V Shaw as a director.
- 3 To re-elect Mr M D Morgan 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.

AS SPECIAL BUSINESS

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

- 5 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

18 JUNE 2001

WT HOUSE
BESSEMER ROAD
WELWYN GARDEN CITY
HERTFORDSHIRE AL7 1HT

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.

NOTICE OF MEETING

- 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 18 July 2001 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 18 July 2001 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 18 July 2001.
- 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.