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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult an appropriate independent adviser. If you have sold or transferred all of your Ordinary Shares in WT Foods you should immediately forward this document and the accompanying Application Form and form of proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Copies of this document, which comprises a prospectus relating to WT Foods prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales as required by sections 149 and 154A of that Act. ✓

Application has been made to the London Stock Exchange for the new Ordinary Shares to be admitted to the Official List. It is expected that admission will become effective and dealings will commence in the new Ordinary Shares on 4 April 1997. It is emphasised that no application is to be made for the Deferred Shares to be admitted to the Official List.

Bell Lawrie White is acting exclusively for WT Foods and no-one else in relation to the Placing and Open Offer and will not be responsible to any person other than WT Foods for providing the protections afforded to customers of Bell Lawrie White or for providing advice on the contents of this document or any transaction or arrangement referred to herein.



WT FOODS PLC ✓



Proposed Placing and Open Offer

by

Bell Lawrie White & Co.

of

26,824,261 new ordinary shares of 25p each
at 30p per share payable in full on application

Proposed acquisition of Chadha International Foods Limited

Proposed sale of Red Rose Velvets Limited

Proposed Group Incentive Scheme

Notice of an extraordinary general meeting of WT Foods to be held on 2 April 1997 is set out at the end of this document. You will find enclosed a form of proxy for use at this meeting. To be valid, forms of proxy must be completed, signed and returned in accordance with the instructions set out in this document as soon as possible and in any event so as to be received by the Company's registrars, Connaught St. Michaels Limited, not later than 11.00 a.m. on 31 March 1997. Completion and return of a form of proxy will not prevent shareholders from attending and voting at the meeting in person should they wish to do so.

The Open Offer closes at 3.00 p.m. on 2 April 1997. The procedure for application is set out on pages 11 to 13 of this document and in the Application Form. If you have any queries on the procedure for application, you should contact Connaught St. Michaels Limited on 01582 405333.

Applications under the Open Offer may be made only on the enclosed Application Form, which is personal to the shareholder(s) named thereon and may not be assigned or transferred except to satisfy *bona fide* market claims.

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DEFINITIONS

In this document the following definitions apply unless the context requires otherwise:—

“Acquisition”	the proposed acquisition by the Company of 95 per cent. of the issued share capital of Chadha
“Acquisition Agreement”	the conditional agreement entered into in connection with the Acquisition, a summary of the principal terms of which is contained in paragraph 8.1 of Part 7 of this document
“Act”	the Companies Act 1985, as amended
“Application Form”	the application form relating to the Open Offer being sent to Qualifying Shareholders with this document
“Bart Spices”	Bart Spices Limited
“Bell Lawrie White”	Bell Lawrie White & Co., a division of Brewin Dolphin Bell Lawrie Limited, a member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited
“Deferred Shares”	the non-voting deferred convertible redeemable shares of 0.05p each in the Company with no dividend participation, proposed to be created at the EGM
“Deferred Shareholder”	a holder of Deferred Shares
“Directors” or “Board”	the board of directors of the Company at the date of this document
“EGM”	the extraordinary general meeting of the Company to be held on 2 April 1997, notice of which is set out at the end of this document
“Enco”	Enco Products Limited
“Enlarged Group”	the Group as enlarged by the Acquisition and following the Sale
“Group Incentive Scheme”	the scheme relating to the creation and allotment of Deferred Shares to or for the benefit of employees of the Company and its subsidiaries from time to time, particulars of which are contained in Part 6 of this document
“Indo African”	Indo African Exports Limited
“Issue Price”	30p per Ordinary Share
“La Mexicana”	La Mexicana Quality Foods Limited
“London Stock Exchange”	London Stock Exchange Limited
“new Ordinary Shares”	all or any of the new Ordinary Shares which are the subject of the Placing and Open Offer
“Official List”	the daily official list of the London Stock Exchange
“Open Offer”	the conditional invitation to Qualifying Shareholders, by Bell Lawrie White on behalf of the Company, to apply for new Ordinary Shares on the terms and conditions set out in Part 2 of this document and in the Application Form
“Ordinary Shares”	ordinary shares of 25p each in the Company
“Placing”	the conditional placing, by Bell Lawrie White on behalf of the Company, of the new Ordinary Shares as described in this document

"Placing Agreement"	the conditional agreement between the Company and Bell Lawrie White described in paragraph 8.1 of Part 7 of this document
"Proposals"	the Placing and Open Offer, the Acquisition and the Sale
"Qualifying Shareholders"	shareholders on the register of members of the Company at the Record Date, other than certain overseas shareholders as set out in Part 2 of this document
"Record Date"	the close of business on 24 February 1997
"Red Rose"	Red Rose Velvets Limited
"Sale"	the proposed sale by the Company of the entire issued share capital of Red Rose
"Sale Agreement"	the conditional agreement entered into in connection with the Sale, a summary of the principal terms of which is contained in paragraph 8.1 of Part 7 of this document
"Shareholder"	a holder of Ordinary Shares
"Share Option Scheme"	the WT Foods plc executive share option scheme
"Taxes Act"	the Income and Corporation Taxes Act 1988
"Chadha"	Chadha International Foods Limited
"Vendors"	Manmohan Singh Chadha and Ajit Singh Chadha, being the vendors of 95 per cent. of the issued share capital of Chadha
"WT Foods" or "Company"	WT Foods plc
"WT Foods Group" or "Group"	WT Foods and its existing subsidiaries

EXPECTED TIMETABLE

Record Date for the Open Offer	close of business on 24 February 1997
Latest time and date (to satisfy <i>bona fide</i> market claims) for splitting Application Forms	of 3.00 p.m. on 27 March 1997
Latest time and date for receipt of forms of proxy for the EGM	11.00 a.m. on 31 March 1997
EGM	11.00 a.m. on 2 April 1997
Latest time and date for receipt of completed Application Forms and payment in full for new Ordinary Shares	3.00 p.m. on 2 April 1997
Completion of the Acquisition and the Sale	3 April 1997
Dealings in the new Ordinary Shares commence	4 April 1997
Despatch of definitive share certificates in respect of the new Ordinary Shares	10 April 1997

PART 1
LETTER FROM THE CHAIRMAN



Registered Office :
2 Apex Point
Travellers Lane
Welham Green
Hertfordshire
AL9 7HF

To the Shareholders

7 March 1997

Dear Shareholder

INTRODUCTION

It was announced today that WT Foods had entered into a conditional agreement to acquire 95 per cent. of Chadha, an importer and distributor of Chinese and other oriental food products. The consideration for the Acquisition will be £6.7 million payable in cash, which will be financed out of the proceeds of a placing and open offer of 26,824,261 new Ordinary Shares at 30p per share. The Placing and Open Offer will raise approximately £7.65 million after expenses.

It was further announced that WT Foods had entered into a conditional agreement to sell its wholly owned velvet-manufacturing subsidiary, Red Rose, to the vendors of Chadha for a consideration of £0.6 million payable in cash.

The Acquisition is consistent with the Board's strategic objective of building WT Foods into an ethnic and speciality food group of significant size. It adds Chinese and other oriental products to the Group's existing interests in spices and Mexican, Indian and Caribbean foods and in combination with the Group's other food businesses it will bring benefits in terms of economy of scale. The Sale marks the end of the WT Foods Group's involvement in the textile sector and makes it purely a food group, thus completing the process of transformation begun in 1992.

In view of its size, the Acquisition, as well as the Placing and Open Offer, requires your approval as Shareholders. In addition the Sale is conditional upon completion of the Acquisition, so that all of the Proposals are effectively conditional upon, *inter alia*, the passing of the special resolution numbered 1 to be proposed at the EGM, notice of which is set out at the end of this document.

The principal purpose of this document is to provide you with details of the Proposals. The Directors are also seeking Shareholders' approval of a new incentive scheme for key Group executives, the introduction of this scheme having been foreshadowed in the circular sent to Shareholders on 14th May last year.

INFORMATION ON CHADHA

Background

Chadha was founded in 1980 by the brothers Manmohan and Ajit Chadha and is engaged in the import and wholesale distribution in the United Kingdom of Chinese, Thai and Singaporean/Malaysian food products. Chadha operates from one location at Greenford in Middlesex.

Products

Chadha distributes a range of approximately 300 lines, most of which are imported directly from the Far East, principally from China, Thailand and Singapore. The majority of sales is of agency and manufacturer's brands, the largest of which by sales volume is Yeo's of Singapore which covers a wide range of oriental sauces, canned products, dried products and drinks. Yeo Hiap Seng Limited, the owner of Yeo's, supplies products which have widespread distribution through Chadha in the Chinese ethnic and catering market. Chadha also sells under its own brands, Asco and 888. The present distribution agreement with Yeo Hiap Seng Limited will in normal circumstances continue until at least April 2000.

Customers

Chadha operates principally in the wholesale trade, supplying mainly cash and carry, supermarket and wholesaling outlets serving the Chinese food market. At present, Chadha has in excess of 200 customers, most of which are based in the United Kingdom. The top 20 customers account for approximately 50 per cent. of sales but there is no undue dependence upon any one customer.

Management

Manmohan and Ajit Chadha have both decided to retire from Chadha. The day-to-day management of Chadha is now in the hands of Harpreet and Ravneet Chadha, respectively the sons of Manmohan and Ajit Chadha and both directors of Chadha, and it is intended that they remain in their current positions. It has been arranged that Harpreet and Ravneet Chadha will together retain a minority 5 per cent. shareholding in Chadha. WT Foods will enter into an agreement with Harpreet and Ravneet Chadha whereby WT Foods will buy out their minority shareholdings in Chadha at a price which will be determined by reference to Chadha's future financial performance. Further details of this arrangement are set out in paragraph 8.1 of Part 7 of this document.

Financial record and current trading

The audited results of Chadha for the 3 years to 31 March 1996 are set out in the accountants' report in Part 4 of this document. The following key figures have been extracted from, and should be read in conjunction with, that report:

	Year ended 31 March		
	1996	1995	1994
	£000's	£000's	£000's
Turnover	6,021	5,460	5,212
Profit before taxation	54	40	24

The reported figures for profit before taxation are arrived at after substantial costs and management expenses (including the remuneration of Manmohan and Ajit Chadha) which, while appropriate to a private family company, will not recur following their retirement from Chadha.

In the current financial year, Chadha has to date enjoyed strong growth in both turnover and profits. The Vendors anticipate that Chadha will achieve profits before taxation of not less than £313,500 for the year ending 31 March 1997. It is a term of the Acquisition Agreement that the consideration for the Acquisition will be reduced by £9 for every £1 shortfall below this profit figure, which is to be struck after certain non-recurring costs, similar to those referred to above, of approximately £364,500.

At 31 March 1996, Chadha's balance sheet carried shareholders' funds of £2.105 million. Net borrowings at the same date were £1.57 million of which £1.347 million related to a mortgage secured on Chadha's freehold property at Greenford.

REASONS FOR THE ACQUISITION

The aim of WT Foods is to become a major force in the United Kingdom ethnic food market, one of the largest and most diverse in the world. In pursuit of this objective, and in line with its stated policy of

acquiring complementary ethnic and speciality food businesses, the Board believes that WT Foods should now enter the Chinese food market. The Board therefore welcomes the opportunity to acquire Chadha, whose business is currently concentrated in the wholesale Chinese market, serving catering and cash and carry outlets and large wholesalers. Statistics are not readily available for this area of the market.

The Board believes that the scope for growth in Chadha's existing business will be enhanced under the ownership of WT Foods and that there are particularly attractive prospects for expanding Chadha's operations, where appropriate, into the U.K. grocery and supermarket multiple sector, an area of the Chinese food market where Chadha is currently inactive. This market is already well-established but has nonetheless grown at in excess of 10 per cent. per annum in the four years to 1995. Sales in 1996 were estimated to be £156 million and are expected to rise by between 5 and 10 per cent. per annum up to 2001. (*Source of market statistics: Market Assessment Publications 'Speciality and Organic Foods in the UK' July 1996*). The Board also believes that there is considerable scope for Chadha in exporting from the United Kingdom.

Chadha has been well known to various members of the Board for many years. Their experience in the Chinese food sector makes them familiar with the products and many of the suppliers and customers of Chadha and gives them a thorough understanding of the market in which it operates. The Board believes Chadha to be a business of quality, but still with considerable untapped potential for growth. The Board plans to work with the existing management of Chadha to widen the range of products that it sells, to build the strength of both its own and agency brands, to develop its export markets and to enlarge its customer base.

TERMS OF THE ACQUISITION

The consideration for the acquisition of Chadha is £6.7 million and is to be satisfied by cash which will be funded by the Placing and Open Offer.

Further details of the terms of the Acquisition Agreement are set out in paragraph 8.1 of Part 7 of this document. The Acquisition is conditional on, *inter alia*, the approval by Shareholders of resolution number 1 at the EGM and the listing of the new Ordinary Shares becoming effective.

REASONS FOR THE PLACING AND OPEN OFFER AND USE OF PROCEEDS

WT Foods raised £2.75 million net of expenses in June 1996 to eliminate borrowings and to provide resources for the expansion of its food businesses. The WT Foods Group had net cash of £0.85 million at 31 January 1997. The Directors view these cash resources as essential to the planned development of the Group's existing business and possibly for small, as yet unidentified, acquisitions. The Group has adequate banking facilities. However, the extent of shareholders' funds remains small in absolute terms and the Directors believe that a larger equity base should be in place before the introduction of any substantial gearing. They therefore consider that the Acquisition and the related growth in working capital should be financed by the raising of new equity capital through the Placing and Open Offer.

The Placing and Open Offer will raise approximately £7.65 million net of expenses. Of this, £6.7 million will be utilised to satisfy the cash consideration due to the Vendors. The balance of £0.95 million will be applied to the reduction of Chadha's borrowings and to financing new working capital to support the planned expansion of Chadha's product range and customer base.

TERMS OF THE OPEN OFFER

Arrangements have been made for Bell Lawrie White to invite applications from Qualifying Shareholders for new Ordinary Shares at the Issue Price. Qualifying Shareholders may apply for any whole number of new Ordinary Shares up to and including their *pro rata* entitlement on the basis of

1 new Ordinary Share for every 2 Ordinary Shares

held at the Record Date. There will be no entitlement to fractions of new Ordinary Shares: fractions

will be aggregated and taken up by places pursuant to the Placing.

The new Ordinary Shares have been conditionally placed at the Issue Price by Bell Lawrie White, as agent of the Company, subject to Qualifying Shareholders' right to apply for new Ordinary Shares under the Open Offer. The new Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

Full details of the Open Offer and the conditions thereof are set out in the letter from Bell Lawrie White in Part 2 of this document and in the Application Form. To be valid, Application Forms must be received by the Company's registrars, Connaught St. Michaels Limited, no later than 3.00 p.m. on 2 April 1997. Dealings in the new Ordinary Shares are expected to commence on 4 April 1997. The Placing and Open Offer have been fully underwritten by Bell Lawrie White.

INFORMATION ON RED ROSE

Red Rose, a cotton velvet manufacturer, is the WT Foods Group's last remaining textile business. It produces velvet fabrics for the fashion, curtain and home furnishing trades. Principal customers include Manor House, for curtain fabrics, and Fashionwear, River Island and Next for clothing fabrics. Red Rose is located in a 17,000 sq.ft. freehold-owned weaving mill in Accrington, Lancashire.

In the year to 31 March 1996, Red Rose recorded sales of £965,000 and a loss before taxation of £105,000. Net liabilities at 31 March 1996 were £96,000.

TERMS OF THE SALE, REASONS FOR THE SALE AND USE OF PROCEEDS

WT Foods has entered into a conditional agreement whereby the Vendors will acquire all of the issued share capital of Red Rose for a cash consideration of £0.6 million. Further details of the terms of the Sale Agreement, including the agreement of WT Foods to waive the repayment of an inter-company loan to Red Rose amounting to approximately £542,000 at today's date, are set out in paragraph 8.1 of Part 7 of this document.

In 1991, WT Foods determined that the Group should withdraw from the textile sector and concentrate upon ethnic and speciality foods. In pursuit of this strategy two textile subsidiaries have already been sold. Having received an acceptable offer, the Board believes that it is now appropriate that it should complete its withdrawal from the textile sector and dispose of Red Rose.

The Sale will allow the Board to concentrate entirely upon the Group's food interests and eliminate from the Group a subsidiary that has been historically loss-making and is currently recording only small profits.

The proceeds from the disposal of Red Rose will be applied towards increasing the working capital resources of the Group. The Sale is likely to result in a charge of approximately £360,000 in the Group's accounts for the current year.

CURRENT TRADING AND PROSPECTS OF THE ENLARGED GROUP

The Company's interim results and the full text of my interim statement to Shareholders are set out in paragraph 7 in Part 3 of this document. The confidence which I expressed then has been borne out throughout the Group in the second half of the financial year to date.

The Board believes that the integration of Chadha into WT Foods can be achieved rapidly and that in time there will be significant cost savings through rationalisation and the elimination of duplicated costs. The Board also believes that the combination of the WT Foods Group's marketing and selling strengths and the ability of the Enlarged Group to source authentic ingredients from the Far East will prove effective in widening the range of Chadha's customers to include, where appropriate, supermarket and other grocery outlets in the UK.

GROUP INCENTIVE SCHEME

The Company introduced an Inland Revenue approved executive share option scheme in January 1992,

a summary of the terms of which is set out in paragraph 6 of Part 7 of this document. Under the Share Option Scheme there are options outstanding over 1,090,000 Ordinary Shares representing slightly in excess of 2 per cent. of the present issued Ordinary Shares.

It is proposed that the Share Option Scheme be frozen so that no further options may be granted and that the Group Incentive Scheme be introduced in its place. This new Scheme, while having many of the characteristics of a share option scheme, will not be an Inland Revenue approved scheme. As was stated in the circular to shareholders of 14 May 1996, recent changes in tax legislation have severely restricted the application of Inland Revenue approved share option schemes.

The Group Incentive Scheme involves the creation of a new class of deferred shares which will be issued only to or for the benefit of employees of the Company and its subsidiaries from time to time. The new shares are convertible into Ordinary Shares following the publication of the annual report and accounts of the Company for the year ending 31 March 2000. The rate of conversion depends upon the rate of growth in earnings per share over the four year period to 31 March 2000, full conversion requiring 85 per cent. growth over that period. Conversion is also dependent on the rate of earnings per share growth over the performance period equalling or exceeding the growth in the FTSE SmallCap Ex Investment Trusts Index over the same period. The new class of shares will be unlisted, non-voting, deferred, convertible, redeemable shares with no dividend entitlement. The maximum number of Ordinary Shares to be issued on conversion, when taken together with Ordinary Shares reserved for the exercise of outstanding options under the Share Option Scheme, would be 10 per cent. of the issued Ordinary Shares immediately following the Placing and Open Offer, subject to adjustment for variations in share capital.

Subject to the approval of the Group Incentive Scheme by Shareholders, the four executive Directors will be invited to acquire a total of 5,565,822 Deferred Shares at their par value of 0.05p each with a further sum of 27p per share being payable on conversion into Ordinary Shares. The remaining 1,391,458 Deferred Shares will be available for allocation at a later date, at the discretion of the remuneration committee. The price payable by executives for later allocations will be 27p per Ordinary Share or such higher price as may be necessary to reflect past efforts of the management of the Company.

The Accounting Standards Board has issued proposals which, if implemented, will require companies operating performance share plans and employee share schemes to make provision for benefits conferred on participants. The Directors have been advised that a sum equal to the difference, if any, between the price per share paid by participants for their Ordinary Shares (being the aggregate of the subscription price for the Deferred Shares and the amount payable on conversion) and the market value of the Ordinary Shares at the date of original issue of those Deferred Shares will need to be provided for in the profit and loss account of the Company, but spread over the performance period (in this case four years) and based on the estimated rate of conversion into Ordinary Shares which itself depends on achievement of the performance criteria determining the basis of conversion.

The Board believes that proper incentives for executives are conducive to real growth in the earnings and underlying value of the Company. The proposed Group Incentive 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. No other share-based incentive scheme will be proposed during the life of the Group Incentive Scheme.

A summary of the provisions of the Group Incentive Scheme is set out in Part 6 of this document.

EXTRAORDINARY GENERAL MEETING

Notice of the EGM is set out at the end of this document and contains two special resolutions.

The first resolution at the EGM will be proposed to:

- (i) approve the Acquisition and the arrangements relating to the future purchase of the 5 per cent. minority interest in Chadha;
- (ii) increase the authorised share capital from £18,012,900 to £27,096,750 by the creation of 36,335,400 new Ordinary Shares; and

- (iii) authorise the Directors to allot the new Ordinary Shares and disapply statutory pre-emption rights in relation to their allotment.

The second resolution at the EGM concerns the introduction of the Group Incentive Scheme and will be proposed to:

- (i) further increase the authorised share capital to £27,100,228.64 by the creation of 6,957,280 Deferred Shares, authorise their allotment and disapply statutory pre-emption rights in relation to their allotment; and
- (ii) adopt new articles of association to incorporate the rights and restrictions attaching to the Deferred Shares constituting the terms of the Group Incentive Scheme (all as summarised in Part 6 of this document).

Following the passing of the two special resolutions at the EGM and completion of the Placing and Open Offer, the number of authorised Ordinary Shares which are neither issued nor reserved for the exercise of options will be 26,824,217, representing approximately one-third of the enlarged number of issued Ordinary Shares. The Directors have no current plans for the allotment of any of these unissued and unreserved shares.

ACTION TO BE TAKEN

EGM

You will find enclosed a form of proxy for use at the EGM. Whether or not you intend to be present at the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon so as to arrive as soon as possible, and in any event not later than 11 a.m. on 31 March 1997, at Connaught St. Michaels Limited, the Company's registrars. Completion and return of the form of proxy will not prevent Shareholders from attending and voting at the EGM in person should they wish to do so.

Open Offer

The procedure for application and payment for new Ordinary Shares is set out in the letter from Bell Lawrie White in Part 2 of this document and in the Application Form.

RECOMMENDATION

The Board considers the Proposals to be in the best interests of the Company and the Shareholders as a whole. Accordingly the Directors unanimously recommend that you vote in favour of the special resolution numbered 1 to be proposed at the EGM, as they intend to do in respect of their own holdings of Ordinary Shares.

The executive Directors are interested in the Group Incentive Scheme and have therefore taken no part in the discussions of the Board leading to its proposed adoption. The remaining Directors, who comprise all of the non-executive Directors, consider the introduction of the Group Incentive Scheme to be in the best interests of the Company and the Shareholders as a whole. Accordingly the non-executive Directors unanimously recommend that you vote in favour of the special resolution numbered 2 to be proposed at the EGM, as they intend to do in respect of their own holdings of Ordinary Shares.

FURTHER INFORMATION

Your attention is drawn to Parts 2 to 7 of this document which contain information regarding the Placing and Open Offer, WT Foods, Chadha and the Group Incentive Scheme.

Yours faithfully,

P.A. Lovegrove
Chairman

PART 2

BELL LAWRIE WHITE & CO.
7 Drumsheugh Gardens, Edinburgh EH3 7QH

To Qualifying Shareholders

7 March 1997

Dear Sir or Madam,

As explained in the letter from your Chairman which appears in Part 1 of this document, WT Foods is proposing to raise approximately £8.05 million before expenses by the issue of 26,824,261 new Ordinary Shares, all which have been conditionally placed by us with investors but which are being made available to Qualifying Shareholders by way of the Open Offer. This letter and the enclosed Application Form contain the formal terms and conditions of the Open Offer.

THE OPEN OFFER

Bell Lawrie White hereby invites Qualifying Shareholders to apply to subscribe, on and subject to the terms and conditions set out herein and in the enclosed Application Form, for new Ordinary Shares at a price of 30p per share, free of all expenses and payable in cash in full on application.

Qualifying Shareholders may apply for any whole number of new Ordinary Shares up to the following maximum *pro rata* entitlement:

1 new Ordinary Share for every 2 Ordinary Shares

held on the register at the Record Date. There will be no entitlement to fractions of new Ordinary Shares: fractions will be aggregated and taken up by placees pursuant to the Placing. Qualifying Shareholders who apply for new Ordinary Shares in excess of their maximum entitlement will be deemed to have applied only for their maximum *pro rata* entitlement.

The new Ordinary Shares will rank *pari passu* in all respects with existing Ordinary Shares.

The Open Offer is subject to satisfaction of the following conditions not later than 4 April 1997, or such later date (not being later than 30 April 1997) as the Company and Bell Lawrie White may agree:

- (i) the passing of the special resolution numbered 1 at the EGM;
- (ii) all conditions of the Acquisition Agreement and the Sale Agreement being fulfilled or waived (other than listing of the new Ordinary Shares becoming effective) and the Acquisition Agreement and the Sale Agreement being completed in escrow in accordance with their terms;
- (iii) the Placing Agreement becoming unconditional in all respects and not being rescinded or terminated in accordance with its terms before satisfaction of condition (iv) below; and
- (iv) the listing of the new Ordinary Shares on the London Stock Exchange becoming effective.

The Open Offer is made by Bell Lawrie White on behalf of and as agent for the Company.

PROCEDURE FOR APPLICATION

The Application Form enclosed with this document shows the number of Ordinary Shares registered in your name at the Record Date and also shows the maximum number of new Ordinary Shares attributable to your holding under the Open Offer. You may apply for less, but not more, than your maximum entitlement.

Qualifying Shareholders should be aware that in an open offer, unlike a rights issue, new Ordinary Shares not applied for will not be sold in the market for the benefit of those who do not apply but will instead be taken up by placees at the Issue Price pursuant to the Placing.

If you wish to apply for any new Ordinary Shares you should complete the enclosed Application Form in accordance with the instructions thereon and return it, together with the appropriate remittance, to Connaught St. Michaels Limited, PO Box 30, Victoria Street, Luton, Bedfordshire LU1 2PZ so as to be

received no later than 3.00 p.m. on 2 April 1997, at which time the Open Offer will close. Qualifying Shareholders who do not wish to apply for any new Ordinary Shares under the Open Offer should not complete or return the Application Form.

Applications, which will be irrevocable and will not be acknowledged, to subscribe for new Ordinary Shares may be made only on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named thereon and may not be assigned or transferred (except to satisfy *bona fide* market claims pursuant to the rules of the London Stock Exchange). Qualifying Shareholders who have sold all or part of their registered holding(s) of new Ordinary Shares prior to 7 March 1997 are advised to consult their stockbroker or other financial adviser as soon as possible, since an invitation to acquire new Ordinary Shares under the Open Offer may represent a benefit which can be claimed from them by purchasers under the rules of the London Stock Exchange.

If the value of your application exceeds £10,000 (or is one of a series of linked applications, the aggregate value of which exceeds £10,000) the verification of identity requirements of the Money Laundering Regulations 1993 (the "Money Laundering Regulations") will apply. Connaught St. Michaels Limited is entitled to require, at its absolute discretion, verification of identity from any person lodging an application, including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to Connaught St. Michaels Limited to be acting on behalf of some other person. Submission of an application will be deemed to constitute an irrevocable warranty and undertaking by the applicant to provide promptly to Connaught St. Michaels Limited such information as may be specified by Connaught St. Michaels Limited as being required for the purpose of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Connaught St. Michaels Limited as to identity, Connaught St. Michaels may in its absolute discretion retain an application lodged by an applicant for new Ordinary Shares and/or the cheque or other remittance relating thereto and/or not enter the new Ordinary Shares to which it relates in the register of members or issue any share certificate in respect of them. In order to avoid this, if the value (at the Issue Price) of the new Ordinary Shares for which you are applying exceeds £10,000 (or is one of a series of linked applications, the aggregate value of which exceeds £10,000) payment should be made by means of a cheque drawn by the person named in the Application Form(s) (or one of the joint applicants). If this is not practicable and you use a cheque drawn by a third party (for example, a building society cheque or banker's draft) you should:

- (i) write the name, address and date of birth of the person named in the Application Form(s) (or one of the joint applicants) on the back of the cheque, building society cheque or banker's draft;
- (ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited; and
- (iii) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution then, irrespective of value, Connaught St. Michaels Limited is obliged to take reasonable steps to establish the identity of the person or persons on whose behalf you are making the application. You should therefore contact Connaught St. Michaels Limited, P.O. Box 30, Victoria Street, Luton, Bedfordshire LU1 2PZ (telephone: 01582 405333).

If you deliver your Application Form(s) personally by hand, you should ensure that you have with you evidence of identity bearing your photograph (e.g. your passport).

In relation to any application in respect of which the necessary verification of the identity of the applicant or the person on whose behalf the applicant appears to be acting has not been received on or before the latest application date (or such later date as Bell Lawrie White may in its absolute discretion determine), the Company may, at its absolute discretion, elect to treat the relevant application as invalid and/or delay allotting the relevant number of new Ordinary Shares until the necessary verification has been provided. Any such election shall be without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide

satisfactory evidence. In such event the application monies (without interest) will be returned to the bank or building society account from which payment was made.

All payments must be made by cheque or banker's draft in pounds sterling drawn on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited, or the CHAPS & Town Clearing Company Limited, or a member of the Committees of the Scottish or Belfast Clearing Houses, or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of any of those companies or committees and must bear the appropriate sorting code in the top right-hand corner. Any application which does not comply with these requirements may be treated as invalid.

Cheques or banker's drafts should be made payable to "Connaught St. Michaels Limited - A/C WT Foods plc" and should be crossed "Account payee only". Any interest earned on payments made before they are due will be retained for the benefit of the Company.

The Company reserves the right to have cheques presented on receipt and to instruct Connaught St. Michaels Limited to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Any person returning an Application Form with a remittance in the form of a cheque thereby warrants that the cheque will be honoured on first presentation. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled the monies will be kept in a separate bank account. In the event that the Open Offer does not become unconditional by 4 April 1997, or such later date as the Company and Bell Lawrie White may agree but not later than 30 April 1997, all application monies will be returned to applicants as soon as practicable thereafter. The interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

The Company may (at its sole discretion) treat an application as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Connaught St. Michaels Limited, PO Box 30, Victoria Street, Luton, Bedfordshire LU1 2PZ.

CREST

The existing Ordinary Shares were admitted to the CREST system on 3 March 1997. The new Ordinary Shares will initially be issued in certificated form and represented by definitive share certificates which are expected to be despatched by 10 April 1997. Shareholders wishing to hold new Ordinary Shares in uncertificated form will need to comply with the relevant procedure for conversion of such shares into uncertificated form.

TAXATION AND STAMP DUTY

Taxation of capital gains

The Open Offer is not a conventional rights issue. However, the Inland Revenue have indicated that they will treat new ordinary shares issued pursuant to an open offer as issued pursuant to a "reorganisation" of the share capital of the relevant company for capital gains tax purposes up to the amount of shareholders' maximum entitlement under such open offer. On that basis the subscription price for new Ordinary Shares will be aggregated with the acquisition cost of your existing holding of Ordinary Shares for the purpose of computing the gain (or loss) on a subsequent disposal of the enlarged holding or any part of it.

Depending on the Shareholder's personal circumstances, the transfer or disposal of new Ordinary Shares may give rise to a chargeable gain or allowable loss for the purposes of United Kingdom taxation of capital gains. United Kingdom capital gains tax (or, for companies, corporation tax on chargeable gains) generally applies only to persons resident, or ordinarily resident, in the United Kingdom and to persons not so resident or ordinarily resident who carry on a trade in the United Kingdom through a branch or agency for whose purpose the assets disposed of were held. Gains arising to holders of new Ordinary Shares taxed as dealers in securities may be treated as income and taxed as such.

Dividends and distributions

Under current legislation no tax will be withheld by the Company at source on the payment of dividends by the Company. A Shareholder who is an individual resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will be entitled to a tax credit of an amount equal to one-quarter of the dividend paid. The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and related tax credit (taking into account his other income, tax credits and allowances) are above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent.) over the lower rate (currently 20 per cent.). If the tax credit exceeds the individual's liability to income tax on the total of the dividend and the tax credit, he will be able to claim payment of the excess.

Subject to certain exceptions for some insurance companies with overseas business, a Shareholder which is a company resident (for tax purposes) in the United Kingdom and which receives a dividend paid by the Company will not be taxable on the dividend and the dividend and related tax credit will be treated as franked investment income.

Subject to certain exceptions for Commonwealth citizens, European Economic Area Nationals, residents of the Isle of Man or the Channel Islands and certain others, the right of a Shareholder who is not resident (for tax purposes) in the United Kingdom to a tax credit in respect of a dividend received from the Company and to claim repayment of any part of that tax credit will depend on the existence and terms of any double tax convention between the United Kingdom and the country in which the Shareholder is resident. Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim all or any part of the tax credit and, if so, the procedure for doing so. Non-United Kingdom resident Shareholders may also be subject to foreign taxation on dividends in their country of residence.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the new Ordinary Shares, but *ad valorem* stamp duty or stamp duty reserve tax will be payable by the transferee on any transfer of the new Ordinary Shares. The current rate for stamp duty is £0.50 per £100 (or part of £100) of the actual consideration paid. The current rate for stamp duty reserve tax is 0.5 per cent. of the actual consideration paid.

The information contained in this document in relation to taxation matters is a summary of taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the law and practice currently in force in the United Kingdom and is subject to changes therein.

The comments relate to the position of persons who are the absolute beneficial owners of shares in the Company and may not apply to certain classes of person, such as dealers. If Shareholders are in any doubt as to their taxation position, they should consult their professional advisers.

SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the new Ordinary Shares to be admitted to the Official List. Dealings in the new Ordinary Shares are expected to commence on 4 April 1997, subject to the conditions attaching to the Open Offer being satisfied by that time. Definitive certificates for the new Ordinary Shares are expected to be despatched by 10 April 1997. Temporary documents of title will not be issued and, pending the despatch of definitive certificates, transfers will be certified against the register.

OVERSEAS SHAREHOLDERS

General

No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any

event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consent (for example, exchange control consents), observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

The Company reserves the right, in its absolute discretion, to treat the Open Offer as having been declined in a particular case, if it believes acceptance may violate applicable legal or regulatory requirements.

In particular, overseas Shareholders should note the following:

United States and Canada

The new Ordinary Shares have not been, and will not be, registered under the United States Securities Act, 1933 as amended or under the securities laws of any State of the United States and the relevant exemptions have not been and will not be obtained under the securities legislation of any province or territory of Canada. Accordingly, such shares may not be offered for sale and may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or Canada or to or for the benefit of any United States person or to persons in, or resident in, Canada as part of the distribution of such shares. Consequently, new Ordinary Shares for which such persons would otherwise be entitled to apply have been placed pursuant to the Placing and will not form part of the Open Offer. Neither this document nor an Application Form are being sent to any Shareholder whose address is in the United States or Canada, and applications under the Open Offer will incorporate a warranty that the applicant is not a United States person or resident in, Canada and is not applying on behalf of or with a view to the re- offer, resale, transfer or delivery of any of the new Ordinary Shares applied for to or for the benefit of any United States person in, or resident in, Canada.

"United States person" means any natural person resident in the United States, any corporation, partnership or other entity created or organised in or under the laws of the United States, any estate of which any executor or administrator is a United States person and any trust of which any trustee is a United States person. "United States" means the United States of America, its territories and possessions and all areas subject to its jurisdiction, any State of the United States of America and the District of Columbia. "Canada" means Canada and all areas subject to its jurisdiction and each province thereof.

Australia

No prospectus in relation to new Ordinary Shares has been lodged with, or registered by, the Australian Securities Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the new Ordinary Shares; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale

in the Commonwealth of Australia, its territories or possessions ("Australia") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporation or entity located outside Australia). Accordingly, no offer of new Ordinary Shares is being made under this document to Shareholders in or residents of Australia and neither this document nor Application Forms are being sent to such persons.

Yours faithfully,
for Bell Lawrie White & Co.

J. A. R. Drysdale
Director

A division of Brewin Dolphin Bell Lawrie Limited
Registered in England no. 2135876
Registered Office: 5 Giltspur Street, London EC1A 9BD
A member of the London Stock Exchange. Regulated by The Securities and Futures Authority Limited

PART 3

FINANCIAL INFORMATION ON WT FOODS

1. Introduction

The financial information in this Part 3 (other than paragraph 7 thereof) is extracted without material adjustment from the audited consolidated accounts of WT Foods for the three years ended 31 March 1996 and does not constitute statutory accounts within the meaning of Section 240(5) of the Act. The statutory accounts of WT Foods for these three years include unqualified audit reports, do not contain a statement under Section 237(2) or (3) of the Act and have been delivered to the Registrar of Companies.

BDO Stoy Hayward (formerly BDO Binder Hamlyn), Chartered Accountants and Registered Auditors of 7-9 Irwell Terrace, Bacup, Lancashire, OL13 9AJ, were auditors of the Group for the three years referred to.

2. Consolidated profit and loss accounts

	Notes	Year ended 31 March		
		1996 £'000	1995 £'000	1994 £'000
Turnover	6.1	22,983	21,954	13,206
Cost of sales		(17,273)	(16,502)	(10,330)
Gross profit		5,710	5,452	2,876
Distribution costs and administrative expenses	6.2	(4,586)	(3,808)	(2,127)
Operating profit	6.3	1,124	1,644	749
Exceptional item	6.4	(402)	—	—
Profit on sale of investments		—	23	38
Loss on disposal of subsidiary undertaking		—	—	(2,119)
Interest receivable and similar income	6.5	19	131	143
Interest payable and similar charges	6.6	(237)	(210)	(230)
Profit/(loss) on ordinary activities before taxation	6.7	504	1,588	(1,419)
Taxation on profit/(loss) on ordinary activities	6.10	(300)	(431)	(50)
Profit/(loss) for the financial year attributable to shareholders		204	1,157	(1,469)
Dividends	6.11	(572)	(1,058)	(1,059)
Retained (loss)/profit for the year	6.26	(368)	99	(2,528)
Earnings/(loss) per share	6.12			
Basic		0.48p	2.73p	(5.3p)
Before exceptional items		1.43p	2.73p	(5.3p)
Dividends per share	6.11	1.35p	2.5p	2.5p

There are no recognised gains or losses attributable to shareholders other than the profit/(loss) for the financial years shown above.

3. Consolidated balance sheets

	Notes	1996		Year ended 31 March 1995		1994	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets	6.13		2,392		2,348		2,115
Investments	6.15		—		—		33
			<u>2,392</u>		<u>2,348</u>		<u>2,148</u>
Current assets							
Stocks	6.16	1,718		1,693		1,353	
Debtors	6.17	4,818		5,760		5,742	
Cash at bank and in hand	6.30	285		1,107		650	
		<u>6,821</u>		<u>8,560</u>		<u>7,745</u>	
Creditors (amounts falling due within one year)	6.18	(4,558)		(5,620)		(4,520)	
Net current assets			<u>2,263</u>		<u>2,940</u>		<u>3,225</u>
Total assets less current liabilities			<u>4,655</u>		<u>5,288</u>		<u>5,373</u>
Creditors (amounts falling due after more than one year)	6.19		(1,766)		(2,037)		(2,262)
Net assets	6.3		<u>2,889</u>		<u>3,251</u>		<u>3,111</u>
Capital and reserves							
Called up share capital	6.22		10,589		10,585		10,585
Share premium account	6.23		1,232		1,230		1,230
Revaluation reserve	6.24		59		60		62
Other reserves	6.25		(8,315)		(8,315)		(8,356)
Profit and loss account	6.26		(676)		(309)		(410)
Equity shareholders' funds	6.27		<u>2,889</u>		<u>3,251</u>		<u>3,111</u>

4. Consolidated cash flow statements

	Notes	Year ended 31 March					
		1996		1995		1994	
		£'000	£'000	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	6.28		986		2,502		798
Returns on investments and servicing of finance							
Interest received		29		30		14	
Interest paid		(226)		(197)		(64)	
Factoring charges		—		—		(108)	
Hire purchase and finance lease interest		(14)		(10)		(26)	
Dividends paid		(1,058)		(1,059)		(452)	
Net cash outflow from returns on investments and servicing of finance			(1,269)		(1,236)		(636)
Corporation tax paid			(426)		(589)		(190)
Investing activities							
Purchase of tangible fixed assets		(374)		(457)		(184)	
Purchase of subsidiaries		—		41		(1,952)	
Proceeds on disposal of tangible fixed assets		11		55		64	
Sale of subsidiary		—		—		500	
Deferred consideration received		360		360		360	
Repayment of loan by former subsidiary		189		120		30	
Sale of investments		—		56		38	
Net cash inflow/(outflow) from investing activities			186		175		(1,144)
Net cash (outflow)/inflow before financing			(523)		852		(1,172)
Financing activities							
Issue of ordinary share capital	6.22	6		—		344	
Expenses of share issues	6.23	—		—		(382)	
New long term loans repaid		—		—		2,000	
Long term term loans repaid		(225)		(230)		(30)	
Capital element of finance lease rentals		(80)		(93)		(107)	
Net cash (outflow)/inflow from financing			(299)		(323)		1,825
(Decrease)/increase in cash and cash equivalents	6.29		(822)		529		653

5. Statement of accounting policies

5.1 Accounting convention

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

5.2 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, including provisions for reorganisation costs and any other provisions and liabilities taken into consideration in assessing the fair value of the business acquired. 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.

5.3 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.

Other fixed asset investments are stated at cost less amounts provided for permanent diminution in value.

5.4 Fixed assets

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, straight line
Leasehold premises	over the term of the lease
Plant and machinery	10-20% per annum, straight line
Motor vehicles	20-25% per annum, straight line

5.5 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.

5.6 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.

5.7 Leased assets

Motor vehicles and plant subject to finance leases 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.

5.8 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.

5.9 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.

5.10 Compliance with accounting standards

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

6. Notes to the financial information

6.1 Turnover and segmental analysis

Turnover represents the amount receivable, excluding value added tax, from the Group's food manufacturing and distribution and textile manufacturing activities.

	1996 £'000	1995 £'000	1994 £'000
(a) A geographical analysis of turnover is as follows:			
United Kingdom	21,548	20,633	12,330
Europe	1,160	1,097	693
Rest of the World	275	194	183
	<u>22,983</u>	<u>21,954</u>	<u>13,206</u>

(b) Analysis of turnover by business activity is as follows:

Food manufacturing and distribution	22,018	21,099	8,681
Textiles	965	855	4,525
	<u>22,983</u>	<u>21,954</u>	<u>13,206</u>

6.2 Distribution costs and administrative expenses etc

	1996 £'000	1995 £'000	1994 £'000
Distribution costs	1,752	1,409	588
Administrative expenses	2,834	2,399	1,539
	<u>4,586</u>	<u>3,808</u>	<u>2,127</u>

6.3 Analysis of operating profits/(losses) by business activity is as follows:

	1996 £'000	1995 £'000	1994 £'000
Food manufacturing and distribution	1,511	1,998	877
Textiles	(71)	(17)	97
	<u>1,440</u>	<u>1,981</u>	<u>974</u>
Central costs	(316)	(337)	(225)
	<u>1,124</u>	<u>1,644</u>	<u>749</u>

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

	1996 £'000	1995 £'000	1994 £'000
Parent company	(1,742)	(1,799)	(1,541)
Food manufacturing and distribution	4,180	4,504	4,065
Textiles	451	546	587
	<u>2,889</u>	<u>3,251</u>	<u>3,111</u>

6.4 Exceptional item

This comprises a provision against a loan made to a former subsidiary undertaking, Ken Moore Limited. That company was placed in receivership in November 1995.

6.5 Interest receivable and similar income

	1996 £'000	1995 £'000	1994 £'000
Bank interest	19	30	14
Discount release	—	101	129
	<u>19</u>	<u>131</u>	<u>143</u>

6. Notes to the financial information (continued)

6.6 Interest payable and similar charges

	1996 £'000	1995 £'000	1994 £'000
Interest payable on bank loans and overdrafts			
—repayable within five years	34	14	34
—not wholly repayable within five years	187	186	62
Hire purchase and finance lease interest	16	10	26
Factoring charges	—	—	108
	<u>237</u>	<u>210</u>	<u>230</u>

6.7 Profit/(loss) on ordinary activities before taxation is stated after charging:

	1996 £'000	1995 £'000	1994 £'000
Directors' emoluments (Note 6.8)	250	263	167
Depreciation of owned assets	304	267	260
Depreciation of leased assets	64	41	28
Operating lease rentals—land and buildings	210	213	145
Operating lease rentals—other	24	42	15
Auditors' remuneration—for audit services	44	44	49
Termination payments to directors and staff	69	214	—

Amounts paid to BDO Stoy Hayward by the Company and its subsidiary undertakings in respect of non-audit services were in 1996 £6,000 (1995: £18,000; 1994: £119,000).

6.8 Directors' emoluments

	1996 £'000	1995 £'000	1994 £'000
Fees	45	35	41
Management remuneration	142	117	116
Pension contributions	13	11	10
Compensation for loss of office	50	100	—
	<u>250</u>	<u>263</u>	<u>167</u>
Chairman's remuneration	20	15	15
Remuneration of the highest paid Director	<u>58</u>	<u>47</u>	<u>60</u>

Number of other Directors receiving remuneration in the following ranges:

£	Number	Number	Number
0-5,000	—	—	1
5,001-10,000	1	3	4
10,001-15,000	1	—	—
15,001-20,000	—	1	—
20,001-25,000	1	—	—
25,001-30,000	—	1	—
30,001-35,000	—	—	1
35,001-40,000	—	—	—
40,001-45,000	—	—	—
45,001-50,000	—	—	—
50,001-55,000	1	—	—

None of the Directors' emoluments arose from performance related bonuses.

6.9 Employees

	1996 £'000	1995 £'000	1994 £'000
(a) Staff Costs			
Wages and salaries	2,373	2,164	1,666
Social security	211	198	169
Other pension costs	93	93	69
	<u>2,677</u>	<u>2,455</u>	<u>1,904</u>

6. Notes to the financial information (continued)

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

	1996 Number	1995 Number	1994 Number
Production	88	81	105
Selling and administration	73	72	56
	<u>161</u>	<u>153</u>	<u>161</u>

6.10 Taxation on profit/(loss) on ordinary activities

	1996 £'000	1995 £'000	1994 £'000
UK current year taxation			
Corporation tax charge at 33%	310	452	70
Provision for irrecoverable ACT-(release)/charge	—	(20)	7
Prior year credit	(10)	(1)	(27)
	<u>300</u>	<u>431</u>	<u>50</u>

The tax charge on the profit for the year to 31 March 1996 has increased due to the provision against the amount due from Ken Moore Limited not being allowable for corporation tax purpose.

Taxation has not been provided on the surplus arising from the revaluation of land and buildings (note 6.20).

The tax charge for the year ended 31 March 1996 would have increased by £13,000 had deferred tax been provided in full on accelerated capital allowances and other differences.

6.11 Dividends

	1996 £'000	1995 £'000	1994 £'000
Interim - 0.5p per share (1995: 0.5p per share; 1994: 0.2p per share)	212	211	85
Final - 0.85p per share (1995: 2.0p per share; 1994: 2.3p per share)	360	847	974
	<u>572</u>	<u>1,058</u>	<u>1,059</u>

6.12 Earnings/(loss) per share

The earnings/(loss) and weighted average number of Ordinary Shares in issue used in calculating the earnings/(loss) per Ordinary Share are as follows:-

	1996 £'000	1995 £'000	1994 £'000
Earnings/(loss) for the financial year:			
Basic	204	1,157	(1,469)
Before exceptional items	606	1,157	(1,469)
	<u>Number</u>	<u>Number</u>	<u>Number</u>
Weighted average number of shares in issue	42,349,432	42,337,880	27,729,809

Fully diluted earnings per share are not materially different from the basic earnings per share stated above.

6. Notes to the financial information (continued)

6.13 Tangible fixed assets

	Land and Buildings			Plant and	Motor	Total
	Freehold	Long	Short	Machinery	Vehicles	
	£'000	Leasehold	Leasehold	£'000	£'000	£'000
Cost or valuation:						
At 1 April 1994						
—Cost	—	489	140	1,922	358	2,909
—1990 Valuation	150	—	—	—	—	150
Reclassification	—	—	122	(122)	—	—
Additions	—	—	1	331	256	588
Disposals	—	—	—	(22)	(149)	(171)
At 31 March 1995	150	489	263	2,109	465	3,476
Depreciation:						
At 1 April 1994	12	19	22	755	136	944
Reclassification	—	—	4	(4)	—	—
Charge for the year	3	10	12	203	80	308
Adjustments for disposals	—	—	—	(20)	(104)	(124)
At 31 March 1995	15	29	38	934	112	1,128
Net book value:						
At 31 March 1995	135	460	225	1,175	353	2,348
At 31 March 1994	138	470	118	1,167	222	2,115

	Land and Buildings			Plant and	Motor	Total
	Freehold	Long	Short	Machinery	Vehicles	
	£'000	Leasehold	Leasehold	£'000	£'000	£'000
Cost or valuation:						
At 1 April 1995						
- Cost	—	489	263	2,109	465	3,326
- 1990 Valuation	150	—	—	—	—	150
Additions	—	—	62	229	127	418
Disposals	—	—	—	(17)	(25)	(42)
At 31 March 1996	150	489	325	2,321	567	3,852
Depreciation:						
At 1 April 1995	15	29	38	934	112	1,128
Charge for the year	3	10	12	228	115	368
Adjustments for disposals	—	—	—	(14)	(22)	(36)
At 31 March 1996	18	39	50	1,148	205	1,460
Net book value:						
At 31 March 1996	132	450	275	1,173	362	2,392
At 31 March 1995	135	460	225	1,175	353	2,348

The net book value of assets held under finance leases and hire purchase agreements are included as follows:

	1996	1995	1994
	£'000	£'000	£'000
Plant and machinery	47	—	—
Motor vehicles	159	240	173
	<u>206</u>	<u>240</u>	<u>173</u>

The historical cost of freehold property was as follows:

	1996	1995	1994
	£'000	£'000	£'000
Cost	86	86	86
Depreciation	(14)	(12)	(10)
Net book value	<u>72</u>	<u>74</u>	<u>76</u>
Historical cost depreciation charge for the year	<u>2</u>	<u>2</u>	<u>2</u>

6. Notes to the financial information (continued)

6.14 Capital commitments

	1996 £'000	1995 £'000	1994 £'000
Capital expenditure contracted for but not provided	—	101	8

6.15 Fixed assets—investments

	1996 £'000	1995 £'000	1994 £'000
Quoted investments	—	—	33

6.16 Stocks

	1996 £'000	1995 £'000	1994 £'000
Raw materials and consumables	515	418	464
Work in progress	142	154	100
Finished goods	1,061	1,121	789
	<u>1,718</u>	<u>1,693</u>	<u>1,353</u>

6.17 Debtors

	1996 £'000	1995 £'000	1994 £'000
Trade debtors	3,828	3,524	3,119
Other debtors	505	1,706	1,995
Corporation tax recoverable	—	—	23
Advanced corporation tax recoverable	349	383	410
Prepayments and accrued income	136	147	195
	<u>4,818</u>	<u>5,760</u>	<u>5,742</u>

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

	1996 £'000	1995 £'000	1994 £'000
Other debtors	—	827	1,432
Advanced corporation tax recoverable	143	264	243
	<u>143</u>	<u>1,091</u>	<u>1,675</u>

Other debtors at 31 March 1996 include an amount of £405,000 (1995: £775,000; 1994: £1,033,000) being the balance due on the sale in February 1992 of Indo African Exports Limited. This amount is stated after deducting a discount of Nil (1995: £95,000; 1994: £197,000) to reduce the debt to its net present value using a discount rate of 12% per annum. At 31 March 1995, the net amount due after more than one year was £484,000 (1994: £775,000). The gross amounts receivable were due as follows:

	1996 £'000	1995 £'000	1994 £'000
Within 1 year	405	360	360
Within 1 to 2 years	—	510	360
Within 2 to 5 years	—	—	510
	<u>405</u>	<u>870</u>	<u>1,230</u>

Also included within other debtors was an amount due on the outstanding loan account with Ken Moore Limited. The amount was receivable as follows:

Due:

	1996 £'000	1995 £'000	1994 £'000
Within 1 year	—	250	250
Within 1 to 2 years	—	120	120
Within 2 to 5 years	—	222	342
	<u>—</u>	<u>592</u>	<u>712</u>

6. Notes to the financial information (continued)

6.18 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000	1994 £'000
Bank loans	234	229	228
Bank overdrafts	—	—	72
Trade creditors	2,911	3,388	2,031
Other creditors	13	14	8
Corporation tax	124	169	377
Advance corporation tax	149	264	264
Other taxes and social security costs	110	150	135
Accruals	380	280	299
Proposed dividends	572	1,058	1,059
Hire purchase and finance lease creditors	65	68	47
	<u>4,558</u>	<u>5,620</u>	<u>4,520</u>

6.19 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000	1994 £'000
Bank loan	1,681	1,911	2,142
Hire purchase and finance lease creditors	64	95	78
Other creditors	21	31	42
	<u>1,766</u>	<u>2,037</u>	<u>2,262</u>

6.20 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 full potential liability for which provision has not been made, is as follows:-

	1996 £'000	1995 £'000	1994 £'000
Accelerated capital allowances	208	200	181
Other timing differences	(44)	(45)	(51)
	<u>164</u>	<u>155</u>	<u>130</u>
Revaluation of assets	10	12	5
	<u>174</u>	<u>167</u>	<u>135</u>

At 31 March 1996 there were unutilised trading losses available to be carried forward of approximately £258,000 (1995: £227,000; 1994: £379,000).

6.21 Borrowings and financial commitments

(a) Obligations under hire purchase and finance lease contracts

	1996 £'000	1995 £'000	1994 £'000
These are repayable as follows:			
Within 1 year	65	68	47
Within 2 to 5 years	64	95	78
	<u>129</u>	<u>163</u>	<u>125</u>

Obligations under hire purchase and finance lease contracts are secured against the assets to which they relate (note 6.13).

(b) Bank loans and overdrafts

	1996 £'000	1995 £'000	1994 £'000
These are repayable as follows:			
Within 1 year	234	229	300
Within 1 to 2 years	237	232	231
Within 2 to 5 years	733	715	711
After 5 years	711	964	1,200
	<u>1,915</u>	<u>2,140</u>	<u>2,442</u>

6. Notes to the financial information (continued)

6.21 Borrowings and financial commitments (continued)

Interest on the bank loans is payable at 2.5% above LIBOR.

The bank loans and overdrafts are secured by legal charges over the assets of the Group.

(c) Other commitments

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

	1996	1995	1994
	£'000	£'000	£'000
Within 1 year	5	3	5
Within 1 to 2 years	39	52	61
After 5 years	277	178	179
	<u>321</u>	<u>233</u>	<u>245</u>

6.22 Called up share capital

	1996	1995	1994
	£'000	£'000	£'000
Authorised:			
56,452,000 (1995: 56,452,000; 1994: 56,452,000;) ordinary shares of 25p each	<u>14,113</u>	<u>14,113</u>	<u>14,113</u>
Allotted and fully paid:			
42,354,097 (1995: 42,337,880; 1994: 42,337,880) ordinary shares of 25p each	<u>10,589</u>	<u>10,585</u>	<u>10,585</u>

On 15 July 1995, 16,216 shares of 25p were allotted on exercise of share option at 37p. On 10 June 1996, 11,294,425 ordinary shares were allotted at 27p per share under a placing and open offer.

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 were as follows:

Date granted	Exercise price per share	Exercise period	1996 Number	1995 Number	1994 Number
30 April 1992	37.00p	1 May 1995 - 30 Apr 2002	129,728	151,349	221,321
9 July 1993	38.10p	1 Aug 1996 - 31 July 2003	15,753	15,753	35,000
25 January 1994	42.70p	1 Feb 1997 - 31 Jan 2004	40,000	40,000	40,000
4 February 1994	43.30p	1 Mar 1997 - 29 Feb 2004	25,735	25,735	25,735
12 December 1994	35.30p	1 Jan 1998 - 31 Dec 2004	109,412	109,412	—
30 June 1995	38.50p	1 Jul 1998 - 30 Jun 2005	199,623	—	—
			<u>520,251</u>	<u>342,249</u>	<u>322,056</u>

6.23 Share premium account

	1996	1995	1994
	£'000	£'000	£'000
Opening balance	1,230	1,230	2,631
Open offer	—	—	75
Exercise of options	2	—	—
Expenses of share issues	—	—	(382)
Transfer to profit and loss account	—	—	(1,094)
Closing balance	<u>1,232</u>	<u>1,230</u>	<u>1,230</u>

6.24 Revaluation reserve

	1996	1995	1994
	£'000	£'000	£'000
Opening balance	60	62	63
Transfer to profit and loss account	(1)	(2)	(1)
Closing balance	<u>59</u>	<u>60</u>	<u>62</u>

6. Notes to the financial information (continued)

6.25 Other reserves

	1996 £'000	1995 £'000	1994 £'000
Opening balance	(8,315)	(8,356)	(3,901)
Transfer of goodwill on disposal of subsidiary undertaking	—	—	1,932
Transfer to profit and loss account	—	—	(574)
Premium arising on issue of shares on acquisition of subsidiary undertakings	—	—	1,646
Goodwill arising on acquisition of subsidiary undertakings	—	41	(7,459)
Closing balance	<u>(8,315)</u>	<u>(8,315)</u>	<u>(8,356)</u>

At 31 March 1996 the cumulative goodwill arising on acquisitions of subsidiaries was £11,370,000 (1995: £11,370,000; 1994: £11,411,000).

6.26 Profit and loss account

	1996 £'000	1995 £'000	1994 £'000
Opening balance	(309)	(410)	449
Retained (loss)/profit for the year	(368)	99	(2,528)
Transfer from revaluation reserve	1	2	1
Transfer from share premium account	—	—	1,094
Merger reserve realised on sale of subsidiary undertaking, released from other reserves	—	—	574
Closing balance	<u>(676)</u>	<u>(309)</u>	<u>(410)</u>

6.27 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000	1994 £'000
Total recognised gains/(losses)	204	1,157	(1,469)
Dividends	(572)	(1,058)	(1,059)
New share capital subscribed	6	—	7,788
Expenses of share issues	—	—	(382)
Goodwill recovered/(written off) on acquisitions	—	41	(7,459)
Goodwill on disposal of subsidiary undertaking	—	—	1,932
Net (decrease)/increase in shareholders' funds	<u>(362)</u>	<u>140</u>	<u>(649)</u>
Opening shareholders' funds	3,251	3,111	3,760
Closing shareholders' funds	<u>2,889</u>	<u>3,251</u>	<u>3,111</u>

6.28 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000	1994 £'000
Operating profit	1,124	1,644	749
Depreciation of tangible fixed assets	368	308	288
Loss/(profit) on sale of tangible fixed assets	6	(8)	10
Movement in stocks	(25)	(340)	445
Movement in debtors	(53)	(447)	(47)
Movement in creditors	(434)	1,345	(647)
Net cash inflow from operating activities	<u>986</u>	<u>2,502</u>	<u>798</u>

6.29 Analysis of changes in cash and cash equivalents during the year

	1996 £'000	1995 £'000	1994 £'000
Opening balance of cash and cash equivalents	1,107	578	(75)
Net cash (outflow)/inflow	<u>(822)</u>	<u>529</u>	<u>653</u>
Closing balance of cash and cash equivalents	<u>285</u>	<u>1,107</u>	<u>578</u>

6. Notes to the financial information (continued)

6.30 Analysis of balances of cash and cash equivalents as shown in the balance sheet

	1996 £'000	1995 £'000	1994 £'000
Cash at bank and in hand	285	1,107	650
Bank overdrafts	—	—	(72)
	<u>285</u>	<u>1,107</u>	<u>578</u>

6.31 Analysis of changes in financing during the year

	Share capital and premium		
	1996 £'000	1995 £'000	1994 £'000
Opening balance	11,815	11,815	7,149
Shares issued for non-cash consideration	—	—	5,798
Cash flow from financing	6	—	(38)
Transfer to profit and loss account	—	—	(1,094)
Closing balance	<u>11,821</u>	<u>11,815</u>	<u>11,815</u>

	Bank loan and finance lease obligations		
	1996 £'000	1995 £'000	1994 £'000
Opening balance	2,303	2,495	586
Net movement	(259)	(192)	1,909
Closing balance	<u>2,044</u>	<u>2,303</u>	<u>2,495</u>

6.32 Purchase of subsidiary (1993)—Veeraswamy's (Food Products) Limited

	Book Value £'000	Provisions £'000	Fair Value £'000
Net assets acquired:			
Tangible fixed assets	14	—	14
Stock	13	—	13
Debtors	252	—	252
Creditors	(184)	(27)	(211)
Loan	(102)	—	(102)
Cash at bank and in hand	43	—	43
	<u>36</u>	<u>(27)</u>	<u>9</u>
Expenses of acquisition			(119)
Goodwill on acquisition			860
Satisfied by shares allotted			<u>750</u>

The subsidiary acquired provided £16,000 to the Group's net operating cash flow, paid Nil as net returns on investments and servicing of finance, paid Nil as tax and utilised Nil for investing. The net inflow of cash and cash equivalents in respect of the subsidiary was:

	£'000
Cash consideration	—
Cash at bank and in hand acquired	<u>43</u>
	<u>43</u>

6. Notes to the financial information (continued)

6.33 Purchase of subsidiary undertakings (1994)—La Mexicana Quality Foods Limited and Drenning Limited

	Book Value £'000	Provisions £'000	Fair Value £'000
Net Assets acquired			
Tangible fixed assets	789	34	823
Stock	1,057	(23)	1,034
Debtors	2,598	(10)	2,588
Creditors	(2,444)	(8)	(2,452)
Hire purchase and finance lease obligations	(56)	—	(56)
Cash at bank and in hand	182	—	182
Closing balance	<u>2,126</u>	<u>(7)</u>	<u>2,119</u>
Goodwill on acquisition (para. 6.25)			<u>7,459</u>
			<u>9,578</u>
Satisfied by:			
Shares allotted			7,444
Cash			<u>2,134</u>
			<u>9,578</u>

The subsidiaries acquired provided £413,000 to the Group's net operating cash flow, received £6,000 as net returns on investments and servicing of finance, paid £60,000 as tax and utilised £46,000 for investing activities. The net outflow of cash and cash equivalents in respect of the purchase of subsidiaries was:

	£'000
Cash consideration	2,134
Cash at bank and in hand acquired	<u>(182)</u>
	<u>1,952</u>

6.34 Sale of subsidiary undertaking (1994) -Ken Moore Limited Net assets disposed of (excluding inter-company loan), after payment of dividend of £447,000

	£'000
Intangible fixed assets	105
Tangible fixed assets	912
Stock	1,148
Debtors	609
Hire Purchase and finance lease obligations	(194)
Creditors	(1,287)
Bank Overdraft	<u>(467)</u>
	826
Loss on disposal (before goodwill)	<u>(187)</u>
	<u>639</u>
Satisfied by:	
Cash	33
Balance due included in debtors	612
Cost of sale	<u>(6)</u>
	<u>639</u>

The subsidiary undertaking sold during that year provided £91,000 to the Group's net operating cash flow, paid £147,000 as net return on investments and servicing of finance, paid Nil as tax and utilised £148,000 for investing activities. The net inflow of cash and cash equivalents in respect of the sale of the subsidiary undertaking was:

	£'000
Cash consideration	33
Reduction in Bank overdrafts relating to subsidiary undertaking sold	<u>467</u>
	<u>500</u>

6.35 Contingent liabilities

At 31 March 1996, there was a letter of credit amounting to £65,000 (1995: £Nil; 1994: £Nil) given by the Group in the normal course of business in favour of a supplier.

7. Interim results

The following is the full text of the Company's unaudited interim statement for the 6 months ended 30 September 1996:

"Chairman's Statement

I am pleased to report that the net profit before tax and exceptional item for the period under review is £753,000, as compared with a profit for the first half of last year of £562,000, on turnover increased by 3%. Earnings per share based on this figures are 0.95p giving 1.8 times cover for the proposed interim dividend. As a result of the recent rights issue, the Group is cash positive. As previously indicated there have been some non-recurring costs with regard to restructuring and these are shown as an exceptional item in the financial statements.

The Board proposes to declare an interim dividend of 0.5p net per share to be paid on 1 January 1997 to holders of ordinary shares registered at 3 December 1996. This is in accordance with the dividend projections made to shareholders in last year's Annual Report.

The results are very encouraging particularly so after a disappointing performance throughout last year beset by the Ken Moore write off, management problems at Enco Products and losses at Red Rose Velvets.

I am pleased to report that the new Executive Board have achieved a turn around at Enco and restored profits to Red Rose Velvets. These factors together with the continued good performance of Bart Spices and La Mexicana Quality Foods have produced an excellent result for the first half and a dramatic recovery from the results of the second half of last half year, where profits before tax plunged to £344,000.

The results of the individual subsidiaries have exceeded expectations.

Bart Spices has increased sales by 20% and margin has been maintained by the strength of its Brand. Additional output has been achieved without any significant increase in overheads.

La Mexicana Quality Foods has increased sales by 17% and is well placed to expand further in the growing Mexican food market with new product launches and new customers.

The Royalty Agreement for Tortilla Chips with Bensons, announced in September, will, when operational, free production capacity to assist our development plans.

Enco Products has returned to profit and performance has improved significantly. As expected product rationalisation has caused sales to drop slightly, but emphasis has been placed upon stabilising prices and improving margins. Costs have been reduced and are now firmly under control.

Red Rose Velvets sales are up by 40% and with the introduction of innovative new products and committed management effort, the company is now back in profit.

I am particularly pleased to report that the amount owed with regard to Indo African Exports Limited has been fully repaid ahead of schedule.

The Group as a Branded ethnic and speciality food business is in the fastest growing sector of the food market. Your Board is confident that performance will be maintained through the second half of the year and that its strategy of increasing product range, customer base and the acquisition of suitable businesses, will provide exciting growth for the future.

Philip Lovegrove

Chairman

12 November 1996

Group profit and loss account

For the six months to 30 September 1996

		6 months ended 30 September 1996 Unaudited	6 months ended 30 September 1995 Unaudited (Re- stated)	Year ended 31 March 1996 Audited
	Notes	£'000	£'000	£'000
Turnover	1	12,060	11,676	22,983
Operating profit	1	789	622	1,124
Exceptional item		(52)	(402)	(402)
Net interest payable		(36)	(60)	(218)
Profit on ordinary activities before taxation		701	160	504
Taxation		(230)	(157)	(300)
Profit after taxation		471	3	204
Dividends	3	(364)	(210)	(572)
Retained profit/(loss) for the period		107	(207)	(368)
Earnings per share - before exceptional item		1.06p	0.96p	1.43p
Earnings per share - basic	4	0.95p	0.00p	0.48p
Dividend per share	3	0.50p	0.50p	1.35p

Group balance sheet
As at 30 September 1996

	Notes	30 September 1996 Unaudited £'000	30 September 1995 Unaudited (Re- stated) £'000	31 March 1996 Audited £'000
Fixed assets				
Tangible assets		2,397	2,466	2,392
Current assets		7,701	8,783	6,821
Creditors: amounts falling due within one year		(4,029)	(6,160)	(4,558)
Net current assets		3,672	2,623	2,263
Total assets less current liabilities		6,069	5,089	4,655
Creditors: amounts falling due after more than one year		(321)	(2,045)	(1,766)
Net assets		5,748	3,044	2,889
Capital and Reserves				
Called up share capital	5	13,412	10,589	10,589
Reserves		(7,664)	(7,545)	(7,700)
Equity Shareholders' funds		5,748	3,044	2,889

Group cash flow statement
For the six months to 30 September 1996

	30 September 1996 Unaudited £'000	30 September 1995 Unaudited £'000	31 March 1996 Audited £'000
Net cash inflow/(outflow) from operating activities	626	(204)	986
Net cash outflow from returns on investments and servicing of finance	(696)	(313)	(1,269)
Corporation tax paid	(53)	(59)	(426)
Net cash inflow from investing activities	193	79	186
Net cash inflow/(outflow) before financing	70	(497)	(523)
Net cash inflow/(outflow) from financing	861	(90)	(299)
Increase/(decrease) in cash and cash equivalents	931	(587)	(822)

Notes to the interim report

1. Analysis of interim results

	6 months ended 30 September 1996 Unaudited £'000	6 months ended 30 September 1995 Unaudited (Re-stated) £'000	Year ended 31 March 1996 Audited £'000
Turnover			
Food processing and manufacturing	11,289	11,124	22,018
Textiles	771	552	965
	<u>12,060</u>	<u>11,676</u>	<u>22,983</u>
Operating profit			
Food processing and manufacturing	744	633	1,195
Textiles	45	(11)	(71)
	<u>789</u>	<u>622</u>	<u>1,124</u>

- The comparative figures for the half year ended 30 September 1995 have been restated to take account of various provisions and adjustments relating to that period which were reflected in the audited group accounts for the year ended 31 March 1996.
- Dividends include:
 - a final dividend of 0.85p per share paid in respect of the year ended 31 March 1996 on 11,294,425 new ordinary shares of 25p issued on 10 June 1996 (£96,000), and
 - an interim dividend of 0.5p per share to be paid on 1 January 1997 to shareholders on the register on 3 December 1996 (£268,000).
- The earnings per share before and after the exceptional item have been calculated by dividing the profit for the period by the average number of shares in issue during the period of 49,328,250 shares (1995: £42,343,285).
- The increase in called up share capital is as a result of the issuing of 11,294,425 new ordinary shares of 25p during the period concerned.
- This interim report does not comprise full financial statements within the meaning of the Companies Act 1985 and has not been audited.
- The figures for the year ended 31 March 1996 have been extracted from the statutory accounts which have been delivered to the Registrar of Companies and on which an unqualified audit report was given."

PART 4

ACCOUNTANTS' REPORT ON CHADHA



BDO Stoy Hayward
Chartered Accountants

7-9 Irwell Terrace
Bacup Lancs OL13 9AJ

The Directors
WT Foods plc,
2 Apex Point
Travellers Lane
Welham Green
Hertfordshire
AL9 7HF

7 March 1997

The Directors
Bell Lawrie White & Co.
(a division of Brewin Dolphin Bell Lawrie Limited)
7 Drumsheugh Gardens
Edinburgh
EH3 7QH

Dear Sirs

CHADHA INTERNATIONAL FOODS LIMITED ('CHADHA')

Under the terms of a conditional contract dated 6 March 1997, WT Foods plc ('WT Foods') has agreed to purchase 95% of the issued share capital of Chadha, an importer and distributor of Chinese foods.

We have examined the audited financial statements of Chadha for the three years ended 31 March 1996 ('the reported period'). No audited financial statements have been prepared for Chadha in respect of any period subsequent to 31 March 1996. Our work has been carried out in accordance with the Auditing Guideline, 'Prospectuses and the reporting accountant'.

Messrs H W Fisher & Company, Chartered Accountants, acted as the auditor of Chadha throughout the reported period.

The financial information set out below is based on the audited financial statements of Chadha for the reported period, after making such adjustments as we consider necessary.

In our opinion the financial information set out below gives, for the purpose of the prospectus dated 7 March 1997, a true and fair view of the profit of Chadha for each of the periods stated and the state of affairs of Chadha at the dates stated.

1. Statement of accounting policies

1.1 Accounting convention

The financial information has been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with the following accounting policies.

1.2 Fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

	% per annum	Method
Freehold land	Nil	—
Freehold property	2	Straight line
Plant and machinery	15	Reducing balance
Fixtures, fittings and equipment	15	Reducing balance
Motor vehicles	25	Reducing balance

1.3 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

The purchase cost of raw materials is calculated on a first in first out basis.

1.4 Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are treated as if they had been purchased outright, at the present value of the rentals payable, less finance charges, over the primary period of the leases. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals payable is charged to the profit and loss account so as to produce a constant rate of charge on the outstanding balance in each period.

1.5 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences, using the liability method, only to the extent that, in the opinion of the directors, there is reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.6 Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

1.7 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to sterling at rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

2. Profit and Loss Accounts

		Year ended 31 March		
	Notes	1996 £'000	1995 £'000	1994 £'000
Turnover	1	6,021	5,460	5,212
Cost of sales		(4,873)	(4,320)	(4,041)
Gross profit		1,148	1,140	1,171
Administrative expenses		(713)	(665)	(687)
Directors' emoluments	5	(286)	(287)	(305)
Operating profit	2	149	188	179
Other income	3	94	27	19
Interest payable and similar charges	4	(189)	(175)	(174)
Profit on ordinary activities before taxation		54	40	24
Tax on profit on ordinary activities	6	(11)	(12)	(19)
Profit for the financial year		43	28	5
Dividends	7	—	—	(61)
Retained profit/(deficit) for the financial year	16	43	28	(56)

All recognised gains and losses are included in the profit and loss account.

3. Note of Historical Cost Profits and Losses

		Year ended 31 March		
		1996 £'000	1995 £'000	1994 £'000
Reported profit on ordinary activities before taxation		54	40	24
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		15	15	15
Historical cost profit on ordinary activities before taxation		69	55	39
Historical cost profit/(deficit) for the year after taxation and dividends		58	43	(41)

4. Balance Sheets

	Notes	As at 31 March		
		1996 £'000	1995 £'000	1994 £'000
Fixed assets				
Tangible assets	8	2,668	2,543	2,553
Current assets				
Stocks	9	1,006	774	964
Debtors	10	1,334	1,248	1,300
Cash at bank and in hand		1	145	1
		2,341	2,167	2,265
Creditors: amounts falling due within one year	11	(901)	(629)	(880)
Net current assets		1,440	1,538	1,385
Total assets less current liabilities		4,108	4,081	3,938
Creditors: amounts falling due after more than one year	12	(1,353)	(1,369)	(1,254)
Provision for liabilities and charges	13	(650)	(650)	(650)
Net assets		2,105	2,062	2,034
Capital and reserves				
Called up share capital	14	100	100	100
Revaluation reserve	15	1,376	1,391	1,406
Profit and loss account	16	629	571	528
Equity shareholders' funds	17	2,105	2,062	2,034

5. Cash Flow Statements

	Notes	Year ended 31 March		
		1996 £'000	1995 £'000	1994 £'000
Net cash (outflow)/inflow from operating activities	18	(6)	567	168
Returns on investments and servicing of finance				
Interest received		1	—	—
Interest paid		(179)	(173)	(172)
Interest element of finance lease payments		(10)	(2)	(2)
Other income		60	20	18
Dividends paid		—	—	(61)
Net cash outflow from returns on investments and servicing of finance		(128)	(155)	(217)
Taxation				
Corporation tax (paid)/received		(14)	23	(18)
Investing activities				
Purchase of tangible fixed assets		(217)	(53)	(7)
Sale of tangible fixed assets		47	23	2
Net cash outflow from investing activities		(170)	(30)	(5)
Net cash (outflow)/inflow before financing		(318)	405	(72)
Financing	19			
Repayment of bank loan		—	(24)	(3)
Capital element of finance leases and hire purchase contracts		102	17	(23)
Net cash inflow/(outflow) from financing		102	(7)	(26)
(Decrease)/increase in cash and cash equivalents	20	(216)	398	(98)

Notes to the financial information

1. Turnover

Turnover represents the invoiced value of goods sold and services provided, excluding VAT.

2. Operating profit

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Operating profit is stated after charging:			
Depreciation of owned fixed assets	35	35	66
Depreciation of leased fixed assets	43	12	21
Auditors' remuneration	24	21	20

3. Other income

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Profit on disposal of fixed assets	33	7	1
Interest receivable and similar income	1	—	—
Service charges receivable	60	20	18

4. Interest payable and similar charges

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Interest payable on:			
Bank overdrafts	60	60	62
Bank loan	117	105	105
Other loans	2	8	5
Finance leases and hire purchase contracts	10	2	2

5. Directors' emoluments

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Remuneration for management services	214	234	196
Pension costs	72	53	109

Directors' emoluments (excluding pension contributions) include:			
The chairman	64	81	65
The highest paid director	73	85	66

The number of other directors whose emoluments (excluding pension contributions) fell within the following ranges was:

	Number	Number	Number
£15,001–£20,000	—	1	1
£20,001–£25,000	2	1	2
£25,001–£30,000	—	1	—
£30,001–£35,000	1	—	—

6. Tax on profit on ordinary activities

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
The taxation charge for the year comprises:			
UK corporation tax at 25%	10	12	19
Underprovision of tax in earlier years	1	—	—
	<u>11</u>	<u>12</u>	<u>19</u>

7. Dividends

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Ordinary:			
Final paid	<u>—</u>	<u>—</u>	<u>61</u>

8. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 April 1993	2,475	111	92	387	3,065
Additions	—	—	—	7	7
Disposals	—	—	—	(29)	(29)
At 31 March 1994	<u>2,475</u>	<u>111</u>	<u>92</u>	<u>365</u>	<u>3,043</u>
Additions	—	2	—	51	53
Disposals	—	—	—	(51)	(51)
At 31 March 1995	<u>2,475</u>	<u>113</u>	<u>92</u>	<u>365</u>	<u>3,045</u>
Additions	—	11	—	206	217
Disposals	—	—	—	(150)	(150)
At 31 March 1996	<u>2,475</u>	<u>124</u>	<u>92</u>	<u>421</u>	<u>3,112</u>
Depreciation					
At 1 April 1993	36	72	71	252	431
Charge for year	18	11	9	49	87
On disposals	—	—	—	(28)	(28)
At 31 March 1994	<u>54</u>	<u>83</u>	<u>80</u>	<u>273</u>	<u>490</u>
Charge for year	18	4	2	23	47
On disposals	—	—	—	(35)	(35)
At 31 March 1995	<u>72</u>	<u>87</u>	<u>82</u>	<u>261</u>	<u>502</u>
Charge for year	18	5	2	53	78
On disposals	—	—	—	(136)	(136)
At 31 March 1996	<u>90</u>	<u>92</u>	<u>84</u>	<u>178</u>	<u>444</u>
Net book value					
At 31 March 1996	<u>2,385</u>	<u>32</u>	<u>8</u>	<u>243</u>	<u>2,668</u>
At 31 March 1995	<u>2,403</u>	<u>26</u>	<u>10</u>	<u>104</u>	<u>2,543</u>
At 31 March 1994	<u>2,421</u>	<u>28</u>	<u>12</u>	<u>92</u>	<u>2,553</u>

The net book value of tangible fixed assets includes an amount of £211,585 (1995: £70,848; 1994: £48,534) in respect of assets held under finance leases and hire purchase contracts.

Freehold land and buildings includes land having a carrying value of £1,575,000 which is not depreciated.

The basis of depreciation and the rates used were changed to those disclosed above in respect of the financial statements for the years ended 31 March 1995 and 1996. The depreciation charge for the year ended 31 March 1996 would have been £15,000 higher under the previous basis (1995: £22,000 higher).

8. Tangible fixed assets (continued)

The freehold land and buildings were revalued on an open market basis in 1991. If the freehold land and buildings were stated under historical cost principles the comparable amounts would be:

	As at 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Cost	374	374	374

All other tangible fixed assets are stated at historical cost.

9. Stocks

	As at 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Finished goods and goods for resale	1,006	774	964

10. Debtors

	As at 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Trade debtors	1,152	1,041	929
Corporation tax	—	—	41
Other debtors	178	202	325
Prepayments and accrued income	4	5	5
	1,334	1,248	1,300

11. Creditors: amounts falling due within one year

	As at 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Bank loan	90	—	127
Bank overdrafts	78	6	260
Obligations under finance leases and hire purchase contracts	49	21	17
Trade creditors	550	502	343
Corporation tax	9	13	18
Other taxes and social security costs	42	43	19
Other creditors	55	17	67
Accruals and deferred income	28	27	29
	901	629	880

The bank overdrafts are secured by a second charge over the company's property and a floating charge over the assets of the company.

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

	As at 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Bank loan	1,257	1,347	1,245
Obligations under finance leases and hire purchase contracts	96	22	9
	1,353	1,369	1,254

	As at 31 March		
	1996	1995	1994
	£'000	£'000	£'000
The bank loan is repayable as follows:			
Within one year	90	—	127
Between one and two years	89	90	—
Between two and five years	312	289	267
After more than five years	856	968	978
	1,347	1,347	1,372

The bank loan is repayable on an interest only basis until March 1996 and thereafter over a maximum period of 11 years. Interest is charged at 2% over base rate. The loan is secured by a first charge on the company's freehold property.

Obligations under finance leases and hire purchase contracts are wholly repayable within five years and are effectively secured on the tangible fixed assets to which they relate.

13. Provision for liabilities and charges

As at 31 March		
1996	1995	1994
£'000	£'000	£'000
Deferred tax	650	650

14. Called up share capital

As at 31 March		
1996	1995	1994
£'000	£'000	£'000
Authorised		
250,000 Ordinary shares of £1 each	250	250
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100	100

15. Revaluation reserve

As at 31 March		
1996	1995	1994
£'000	£'000	£'000
Opening balance	1,391	1,421
Transfer to profit and loss account	(15)	(15)
Closing balance	1,376	1,406

16. Profit and loss account

As at 31 March		
1996	1995	1994
£'000	£'000	£'000
Opening balance	571	569
Retained profit/(deficit) for the year	43	(56)
Transfer from revaluation reserve	15	15
Closing balance	629	528

17. Reconciliation of movements in shareholders' funds

As at 31 March		
1996	1995	1994
£'000	£'000	£'000
Profit for the financial year	43	5
Dividends	—	(61)
Net addition to/(deduction from) shareholders' funds	43	(56)
Opening shareholders' funds	2,062	2,090
Closing shareholders' funds	2,105	2,034

18. Net cash (outflow)/inflow from operating activities

Year ended 31 March		
1996	1995	1994
£'000	£'000	£'000
Reconciliation to operating profit:		
Operating profit	149	179
Depreciation of tangible fixed assets	78	87
Movements in:		
Stocks	(233)	107
Debtors	(86)	(119)
Creditors	86	(86)
Net cash (outflow)/inflow from operating activities	(6)	168

19. Analysis of changes in financing during the year

	Share capital £'000	Loans and finance lease obligations £'000
At 1 April 1993	100	1,423
Net outflow from financing	—	(26)
At 31 March 1994	100	1,397
Net outflow from financing	—	(7)
At 31 March 1995	100	1,390
Net inflow from financing	—	102
At 31 March 1996	100	1,492

20. Analysis of changes in cash and cash equivalents

	Cash at bank £'000	Bank overdraft £'000	Total £'000
At 1 April 1993	—	(161)	(161)
Net cash inflow/(outflow)	1	(99)	(98)
At 31 March 1994	1	(260)	(259)
Net cash inflow	144	254	398
At 31 March 1995	145	(6)	139
Net cash outflow	(144)	(72)	(216)
At 31 March 1996	1	(78)	(77)

21. Employee information

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Staff costs were as follows:			
Wages and salaries	415	417	358
Social security costs	43	38	47
Other pension costs	72	53	109
	530	508	514

The average number of persons employed by the company during the year was:

	Year ended 31 March		
	1996 Number	1995 Number	1994 Number
Management	5	5	5
Administration	7	7	7
Selling and distribution	10	10	10
	22	22	22

22. Transactions with directors

Included in other debtors are balances totalling £112,752 (1995: £190,174; 1994: £307,559) due from entities in which various directors of the company had a material beneficial interest. The maximum amounts due during the year were £190,174 (1995: £307,559; 1994: £307,559).

Service charges of £60,000 (1995: £20,000; 1994: £18,000) were charged by the company during the year to the above connected entities.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART 5

PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following proforma statement is derived from the unaudited consolidated balance sheet of the WT Foods Group as at 30 September 1996, the balance sheet of Chadha as at 31 March 1996 as derived from the accountants' report in Part 4 of this document and the audited balance sheet of Red Rose as at 31 March 1996. The statement has been prepared for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position.

	WT Foods Group £'000	Chadha £'000	Red Rose £'000	Adjustments £'000 (see Note 2)	Enlarged Group £'000
Fixed assets					
Tangible assets	2,397	2,668	(414)	—	4,651
Current assets	7,701	2,341	(522)	1,547	11,067
Creditors: amounts falling due within one year	(4,029)	(901)	454	(24)	(4,500)
Net current assets	3,672	1,440	(68)	1,523	6,567
Total assets less current liabilities	6,069	4,108	(482)	1,523	11,218
Creditors: amounts falling due after more than one year	(321)	(1,353)	578	(554)	(1,650)
Provisions for liabilities and charges	—	(650)	—	—	(650)
Net assets	5,748	2,105	96	969	8,918

Notes:

1. The consolidated balance sheet of the WT Foods Group as at 30 September 1996, which was published in its interim results statement reproduced in paragraph 7 of Part 3, was prepared in accordance with the Group's accounting policies and practices and the results were reviewed by the Company's auditors whose findings were discussed with the Company's audit committee.
2. The adjustments reflect (a) the receipt of the gross proceeds of the Placing and Open Offer amounting to £8.047 million (b) the payment and receipt of the consideration for the Acquisition and the Sale amounting respectively to £6.7 million and £0.6 million (c) the estimated costs of the Proposals and the introduction of the Group Incentive Scheme amounting to £400,000 excluding VAT as referred to in paragraph 17.3 of Part 7 of this document and (d) the elimination of balances totalling £578,000 owed by Red Rose to WT Foods as at 31 March 1996, payment of which is to be waived on completion of the Sale.
3. No account has been taken of trading or (save as referred to in Note 2) other transactions since the respective balance sheet dates.

PART 6

PARTICULARS OF THE GROUP INCENTIVE SCHEME

The purpose of the Group Incentive Scheme is to enable full-time employees and directors within the Group to acquire by subscription or purchase Deferred Shares convertible into Ordinary Shares upon attainment of certain performance criteria. The terms of the Group Incentive Scheme will be set out in the rights and restrictions attaching to the Deferred Shares in the new articles of association of the Company, as proposed to be amended at the EGM. The rights and restrictions attaching to the Deferred Shares are summarised below:

Issue of Deferred Shares

Deferred Shares may be allotted to, and held only for the benefit of, current and former directors and employees of the Group and their respective dependants and estates.

Subscription price

The subscription price payable for each Deferred Share shall be the sum of 0.05p per share, being the nominal value of the same.

Individual limits

No person may at any time hold rights over Deferred Shares in excess of 40 per cent. of the total number of Deferred Shares.

Income

The Deferred Shares shall not entitle their holders to receive any dividend or other distribution.

Capital

On the return of any capital on liquidation or otherwise (except on a redemption or purchase by the Company of any of its shares) commenced while any of the Deferred Shares remain to be converted or redeemed, the surplus assets of the Company available for distribution shall be applied in the following order of priority:

- in repaying to the holders of the Ordinary Shares the nominal value of each Ordinary Share held by them;
- in repaying to the Deferred Shareholders the nominal value of each Deferred Share held by them;
- in distributing the remaining assets of the Company (if any) amongst the holders of the Ordinary Shares *pro rata* to the amounts paid up or credited as paid up on such shares respectively held by them.

Save as aforesaid and as hereinafter provided, the Deferred Shares shall not entitle the holders thereof to participate in the profits or the assets of the Company.

Voting Rights

The Deferred Shares shall confer on Deferred Shareholders the right to receive notice of and attend, but not to speak or vote at, any general meeting of the Company.

Transfers of Deferred Shares

Upon the occurrence of any of the following events, all of the Deferred Shares registered in the name of a Deferred Shareholder shall be deemed automatically and irrevocably to have been offered for redemption by the Company or, at its discretion, for sale to the trustees of any employee trust established by the Company at a price equal to the aggregate subscription price paid thereon:

- if the Deferred Shareholder, having been such, ceases to be an employee of the Group other than by reason of death, injury, disability, redundancy or retirement at the age of 65 (or other contractual retirement age) or, at the absolute discretion of the Board, by reason of any other event;
- the Deferred Shareholder being declared bankrupt; or
- the commencement of the winding-up of the Company.

The trustees of any employee trust established by the Company shall be at liberty to transfer all or any part thereof or any interest therein to or for the benefit of directors and employees of the Group, former directors and employees of the Group and their respective dependants and estates.

Save as aforesaid, no Deferred Share may be transferred or otherwise dealt with.

It will be a term of the issue of any Deferred Shares that a Deferred Shareholder will not be entitled to claim compensation for the loss of any rights to convert such shares on termination of his employment. Benefits under the Group Incentive Scheme are not pensionable.

Conversion of Deferred Shares

Deferred Shares will be converted into Ordinary Shares only if specified performance criteria have been met by the Company over the four years ending 31st March, 2000 ('the Performance Period'). The price to be paid on conversion of Deferred Shares shall be the sum of 27p per Ordinary Share arising on conversion or such higher sum as may be specified in the terms of issue of the Deferred Shares.

Performance criteria

The number of Ordinary Shares arising on conversion will depend on growth in earnings per share beyond 1.6 pence per Ordinary Share. Full conversion, which will be on the basis of one Ordinary Share for every Deferred Share held, will occur only where earnings per share increase by an aggregate of 85 per cent. or more over the Performance Period.

Growth in earnings per share is to be measured annually. Whilst actual conversion will only occur at the end of the four year performance period, the conversion rate will be calculated at the end of each year based on the performance in that year. That conversion rate may be up to 25 per cent. after year one if earnings per share growth in that year is at least 16.64 per cent.; up to 50 per cent. after year two if earnings per share growth over the two years is at least 36.04 per cent.; and up to a further 25 per cent. if earnings per share growth over the three years is at least 58.60 per cent.

In the event that the growth in earnings per share for the accounting period immediately preceding the due date for conversion of any Deferred Share shall fall below a threshold previously achieved or exceeded then the rate of conversion shall abate to nil or to the 25 per cent. or 50 per cent. level as appropriate.

No Deferred Share will be convertible unless the rate of growth in earnings per share over the Performance Period shall have equalled or exceeded the rate of earnings growth in the FTSE SmallCap Ex Investment Trusts Index.

Redemption

In the event and to the extent that Deferred Shares fail to be converted, the Company will be at liberty to redeem such shares for cash at par.

Takeovers etc.

In the event that a company either (a) obtains control of the Company either (1) as a result of a takeover offer or (2) in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Companies Act 1985 or (b) serves a notice or notices on the shareholders of the Company under section 428 to 430 of the Companies Act 1985, each Deferred Shareholder may convert his Deferred Shares on the basis of any conversion rights then accrued and forecast earnings per share for the then current period.

Variation of capital

In the event of any issue by way of capitalisation or rights or any other pre-emptive issue or on any reduction, consolidation or subdivision of the Company's capital, the number of Ordinary Shares arising on conversion of the Deferred Shares and the formulae and terms for conversion, if appropriate, shall be adjusted by the Board, subject to written confirmation of such adjustment by the auditors of the Company.

Alteration to the rights attaching to the Deferred Shares

The rights attaching to the Deferred Shares may not be varied to the advantage of Deferred Shareholders without the prior approval of Shareholders by way of special resolution passed at a general meeting save that the Board will be empowered to make minor alterations and amendments to the rights and restrictions attaching to the Deferred Shares but may only alter the provisions relating to the persons to or for the benefit of whom Deferred Shares may be allotted, the limit on number of Ordinary Shares arising on conversion and adjustments on variations in capital to the benefit of Deferred Shareholders to take account of a change of legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment or to benefit the administration of rights and restrictions attaching to the Deferred Shares.

PART 7

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear in paragraph 3.1 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated in England on 19 August 1907 with the name Dura Mill Limited as a private company limited by shares under the Companies Acts 1862 to 1900 with registered number 94632, and was re-registered as a public limited company on 19 March 1982 pursuant to the Companies Act 1980 with the name Dura Mill P.L.C. With effect from 1 June 1987 the name of the Company was changed to WT Foods Trust plc and with effect from 19 July 1995 the name of the Company was changed to WT Foods plc. The Company operates under the Act. The Company is the holding company of the companies comprised in the Group, whose principal activities are the manufacture and distribution of ethnic and speciality foods.

3. Directors

3.1 The Directors and their principal functions are as follows:

Philip Albert Lovegrove	Non-executive chairman
Keith John Stott	Chief executive
Roderick John Garland	Finance director
John Edward Brennan	Marketing director
Edward Clive Vernon Shaw	Managing director, Bart Spices Limited
Stanley Bard	Non-executive director
Reginald Joseph Bartlam	Non-executive director

3.2 The business address of the Directors is 2 Apex Point, Travellers Lane, Welham Green, Hertfordshire AL9 7HF.

4. Directors' and other interests

4.1 As at 5 March 1997 (the latest practicable date prior to the publication of this document) the interests in the Ordinary Shares of the Directors and the persons connected with them within the meaning of section 346 of the Act, which have been notified to the Company pursuant to section 324 or 328 of the Act or which are required to be entered in the register of directors' interests maintained under section 325 of the Act or which are interests of a connected person of a Director which would, if the connected person were a Director, be required to be notified or entered as aforesaid and the existence of which is known to or could with reasonable diligence be ascertained by that Director, were as follows:—

	Ordinary Shares		Total holding as % of existing issued Ordinary Shares	Approx. % of issued Ordinary Shares following the Placing and Open Offer
	Beneficial	Non-beneficial		
P.A. Lovegrove	449,666	—	0.84%	0.56%
*K.J. Stott	91,579	—	0.17%	0.11%
*R.J. Garland	91,579	—	0.17%	0.11%
*J.E. Brennan	91,579	32,000	0.23%	0.15%
*E.C.V. Shaw	440,000	—	0.82%	0.55%
S. Bard	1,677,599	49,083	3.22%	2.15%
*R.J. Bartlam	1,037,500	267,185	2.43%	1.62%

* see also paragraph 4.2 below for details of options also notified to the Company

- 4.2 Outstanding options over Ordinary Shares have been granted to Directors (and persons connected with them within the meaning of section 346 of the Act) and other employees of the Group under the Share Option Scheme, in each case for a consideration of £1 per tranche of options granted, as follows:—

	No. of Shares	Date of grant	Exercise price (p)	Exercise period from to	
K.J. Stott	90,000	24.07.96	29.8	01.08.99	31.07.2006
R.J. Garland	90,000	24.07.96	29.8	01.08.99	31.07.2006
J.E. Brennan	90,000	24.07.96	29.8	01.08.99	31.07.2006
E.C.V. Shaw	16,216	30.04.92	37.0	01.05.95	30.04.2002
	5,251	09.07.93	38.1	01.08.96	31.07.2003
	9,559	12.12.94	35.3	01.01.98	31.12.2004
	18,974	30.06.95	38.5	01.07.98	30.06.2005
	40,000	24.07.96	29.8	01.08.99	31.07.2006
	<u>90,000</u>				
R.J. Bartlam	54,054	30.04.92	37.0	01.05.95	30.04.2002
	25,735	04.02.94	43.3	01.03.97	29.02.2004
	20,211	30.06.95	38.5	01.07.98	30.06.2005
	<u>100,000</u>				
Other employees	59,458	30.04.92	37.0	01.05.95	30.04.2002
	40,000	25.01.94	42.7	01.02.97	31.01.2004
	69,853	12.12.94	35.3	01.01.98	31.12.2004
	125,438	30.06.95	38.5	01.07.98	30.06.2005
	330,000	24.07.96	29.8	01.08.99	31.07.2006
	<u>630,000</u>				
Total	<u>1,090,000</u>				

- 4.3 Save as disclosed in paragraphs 4.1 and 4.2 above, none of the Directors nor any person connected with any Director within the meaning of section 346 of the Act has any interest in the share capital of the Company or any of its subsidiaries and, save as disclosed in paragraph 4.2 above, none of the capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

- 4.4 As at 5 March 1997 (the latest practicable date prior to publication of this document) the Company had been notified that, in addition to Mr Bard, whose shareholdings are referred to in paragraph 4.1 above, the following were interested (within the meaning of the Act) in 3 per cent. or more of the issued Ordinary Shares:

	Ordinary Shares	Approx. % of existing issued Ordinary Shares	Approx. % of issued Ordinary Shares following the Placing and Open Offer assuming no take-up
MG UK Small Company Exempt Fund	4,100,483	7.64%	5.10%
M&G Capital Fund	2,750,022	5.13%	3.42%
Friends Provident Unit Trust	2,533,333	4.72%	3.15%
Mercury Asset Management (GUD Pension Trust)	2,400,000	4.47%	2.98%
Williams Holdings Pension Fund	2,048,406	3.82%	2.55%

Note: the above figures do not take into account any Ordinary Shares which may be issued pursuant to the Placing and Open Offer.

Save as aforesaid the Directors were not at that date aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 4.5 The service contracts of the Directors were available for inspection in connection with the Company's last annual general meeting and have not subsequently been varied.
- 4.6 The total aggregate of the remuneration paid and benefits in kind granted to the directors of the Company by any member of the Group during the year ended 31 March 1996 was £200,100.
- 4.7 None of the Directors has any interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of any member of the Group and which (a) were effected by the Company

during the current or immediately preceding financial year or (b) were effected by the Company during an earlier financial year and remain in any respect outstanding or unperformed.

5. Share Capital

- 5.1 The following table shows the authorised and issued ordinary share capital of the Company as at present and as it will be following the passing of the special resolution numbered 1 at the EGM and completion of the Placing and Open Offer:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Ordinary Shares</i>	<i>£</i>	<i>Ordinary Shares</i>	<i>£</i>
At present	72,051,600	18,012,900	53,648,522	13,412,130.50
Following the Placing and Open Offer	108,387,000	27,096,750	80,472,783	20,118,195.75

- 5.1.2 Following the passing of the special resolution numbered 2 at the EGM the Company's authorised share capital will include 6,957,280 Deferred Shares (representing £3,478.64 of nominal capital).
- 5.2 Since 7 March 1994 the following changes have been made to the issued and fully paid share capital of the Company:
- (a) on 15 July 1995 16,216 Ordinary Shares were issued on the exercise of options under the Share Option Scheme.
 - (b) on 10 June 1996 11,294,425 Ordinary Shares were issued for cash at 27p per share pursuant to a placing and open offer.
- 5.3 Save as disclosed in paragraph 5.2 above there have been no issues of shares by the Company and no material issues of shares by any subsidiary undertaking of the Company other than issues of shares intra-Group by wholly-owned subsidiary undertakings in the three years immediately preceding the date of this document.
- 5.4 The special resolutions to be proposed at the EGM will, if passed, will create and authorise the allotment of the new Ordinary Shares and the Deferred Shares and will govern the duration of the authority of the Directors to allot authorised but unissued capital. The new Ordinary Shares and the Deferred Shares will be allotted by resolution of the Board or a committee thereof.
- 5.5 The provisions of section 89(1) of the Act confer on the holders of Ordinary Shares rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash. The special resolutions to be proposed at the EGM will, if passed, disapply these rights to the extent therein set out.
- 5.6 The Issue Price of 30p per Ordinary Share, which is payable in cash, represents a premium of 5p over the nominal value of 25p.
- 5.7 The new Ordinary Shares will be issued in registered form. Application has been made for the new Ordinary Shares to be admitted to the London Stock Exchange only, where the issued shares of the same class are already listed.'

6. WT Foods plc executive share option scheme

A summary of the principal provisions of the Share Option Scheme ("the Scheme"), which is approved by the Inland Revenue, is set out below:

6.1 Eligibility and earnings per share targets

Full-time employees (those who are required to work not less than 20 hours per week) and Directors (those who work not less than 25 hours per week) in the service of the Company and its qualifying subsidiaries are eligible to participate in the Scheme at the discretion of an independent committee of the Board, subject to the limits referred to in paragraphs 6.2 and 6.3 below and to the relevant provisions of the Taxes Act.

Except where an option is exercisable during the limited period allowed after a takeover, reconstruction or proposal to wind-up the Company or where a participant leaves employment for reasons of redundancy, retirement, death, injury or disability, an option may only be exercised on condition that certain earnings per share criteria (described in paragraphs 6.2 and 6.3 below) are met.

6.2 Individual limits

Each individual's participation under the Scheme is limited in two ways:

- 6.2.1 for Inland Revenue purposes, to Ordinary Shares which are the subject of outstanding options under the Scheme and other share schemes of the Company (except savings related option schemes) having a market value at the date of grant of the relevant options of not more than £100,000 or four times such individual's total annual emoluments for the year in which the option is granted or for the preceding year, whichever is the greater; and

- 6.2.2 (provided that the limit in 6.2.1 above is not exceeded) to such number of Ordinary Shares as, when aggregated with the market value at the date of grant of the relevant options of all Ordinary Shares obtained or obtainable under the Scheme and other share schemes of the Company (except savings related option schemes) during the 10 years prior to the date of grant, have a market value of not more than four times such individual's total annual emoluments, in which case such options shall be exercisable after 3 years provided that there has been real growth in earnings per share (defined in paragraph 6.3.3 below) over a continuous period of three years since the grant of the option. However, further options may be granted where the aforesaid limit exceeds four times but not eight times an individual's total emoluments provided such further options are exercisable only after five years and on condition that real growth in earnings per share (defined in paragraph 6.3.3 below) over a continuous period of at least five years since the grant of the option is such as would place the Company in the top quarter of FTSE 100 companies by reference to earnings per share growth in the same period.

For the above purposes market value has the same definition as described in paragraph 6.4 below.

Following the enactment of the Finance Act 1996 it is no longer possible to grant options under a Revenue approved executive scheme to any individual who will, as a result of such grant hold in total existing approved share options granted under any approved executive scheme with a market value at the date of grant of more than £30,000, which limit applies to this scheme.

6.3 *Scheme limits*

- 6.3.1 The total number of Ordinary Shares in respect of which options may be granted under the Scheme and any other scheme (except savings related option schemes) may not at any time exceed at any time 10 per cent. of the ordinary share capital in issue from time to time provided that in any consecutive period of five years the number of Ordinary Shares in respect of which options have been issued, aggregated under the Scheme or any other scheme (as aforesaid), shall not exceed 5 per cent. of the issued ordinary share capital of the Company from time to time.
- 6.3.2 If the nominal value of the Ordinary Shares under option does not exceed 5 per cent. of the issued ordinary share capital, such options are only exercisable if there has been real growth in earnings per share over a continuous period of three years since the grant of the option.
- 6.3.3 If the nominal value of the Ordinary Shares under option exceeds 5 per cent. but not 10 per cent. of the issued ordinary share capital, options granted over Ordinary Shares in excess of the 5 per cent. limit are only exercisable if growth in real earnings per share over a continuous period of at least five years since the grant of the option has been such as would place the Company in the top quarter of FTSE 100 companies by reference to earnings per share growth over the same period.

Real growth in earnings per share is defined to mean over and above increases in the official retail prices index; and the relevant three and five year periods may not begin earlier than the beginning of the financial year in which the option is granted.

6.4 *Subscription price*

The price per share at which an option may be exercised is determined by the Board but will not in any event be less than the market value of an Ordinary Share on the date of grant of the option, or the nominal value of an Ordinary Share, whichever is the higher.

For the purpose of the Scheme, market value normally means the average of the middle market quotations of an Ordinary Share as derived from the London Stock Exchange Daily Official List for the three dealing days prior to the offer of the option to the individual concerned.

6.5 *Share rights*

As from the date of issue of an Ordinary Share after exercise of an option it ranks *pari passu* in all respects with the then existing issued Ordinary Shares of the Company and participates in all dividends with a record date on or after the date of exercise of the option, irrespective of the financial period in respect of which such dividends may be declared. The Company will use its best endeavours to ensure the listing of such Ordinary Shares by the London Stock Exchange.

6.6 *Timing of an consideration for grant of options*

Offers of options under the Scheme may only be made (save in exceptional circumstances) during the 21 days following publication of the Company's final or half- yearly results and subject to the London Stock Exchange's Model Code governing dealings by Directors in the securities of the Company. The consideration for each grant of options (regardless of the number of Ordinary Shares to which it relates) is £1.

6.7 *Exercise of options*

Except in the circumstances mentioned below, options falling within the provisions described in paragraph 6.3.2 above are normally exercisable after the expiry of three years from the date of grant of the option, for so long as the 5 per cent. limit referred to in paragraph 6.3 above is not exceeded, and five years from the date of grant of the option, once that limit (or the limit as to four times earnings referred to in paragraph 6.2.2 above) is exceeded. No option may be exercised within three years of the last exercise of an option under the Scheme or any other Revenue approved scheme (except savings related option schemes), nor later than ten years from the date of grant.

There are certain exceptions to the conditions attaching to the exercise of options after the expiry of three or five years, the most important of which are as follows:

- 6.7.1 if a participant ceases to be employed by the Group for any reason (other than death) before the expiry of five years from the date of grant, then if cessation of employment is by reason of retirement, ill health, accident, redundancy or by reason of his employing company ceasing to participate in the scheme, his option may be exercised within eighteen months of cessation;
 - 6.7.2 if a participant ceases to be in full time service for any reason (excepting bankruptcy or death) the Directors may at their discretion consent to the continuation of his option for up to six months from cessation, otherwise it will lapse;
 - 6.7.3 if a participant dies his legal personal representatives may exercise his option within one year of the date of his death, otherwise it will lapse;
 - 6.7.4 in the event of a takeover or reconstruction, a participant may exercise his option within six months of that event, failing which it will lapse; or he may agree with an acquiring company to take equivalent options over shares in the acquiring company;
 - 6.7.5 in the event of notice being duly given of a resolution for the voluntary winding-up of the Company, a participant is entitled for 28 days after commencement of the winding-up to exercise his option, otherwise it will lapse, and if it is exercised he will be entitled to participate in any distribution to shareholders as if he had been allotted the relevant shares prior to the winding-up.
- 6.8 *Other*
- 6.8.1 Options are personal to the relevant employees and are not transferable save for transmission on death to their personal representatives in accordance with the rules of the Scheme.
 - 6.8.2 No option may be granted under the Scheme more than ten years after the date of its adoption by the Company in general meeting (30th January 1992).
 - 6.8.3 No three year option (i.e. exercisable after three years as described above) may be granted within two years of an individual's contemplated retirement date, and no five year option may be granted within four years of an individual's contemplated retirement date.
 - 6.8.4 The Board may amend certain aspects of the Scheme, although the basic principles of the Scheme may not be amended to the advantage of participants or eligible employees without Shareholders' prior approval in general meeting. Those basic principles include the definition of eligible employees and directors, the total number of Ordinary Shares available under the Scheme, the maximum participation of any one participant, the consideration payable for the grant of an option, the basis of determining the subscription price and any adjustment thereof, the conditions of exercise of options, the rights attaching to the Ordinary Shares, the non-transferability of options, the provisions regarding cessation of employment, the rights of participants on a takeover, reconstruction or voluntary winding-up, and certain amendments of the provisions relating to the amending of the Scheme itself.
 - 6.8.5 In the event of any issue by way of capitalisation or rights or any reduction, consolidation or subdivision of the Company's capital, the number of Ordinary Shares subject to options, the subscription price, the nominal amount of Ordinary Shares the subject of options and the terms of options may be adjusted by the Board, subject to written confirmation by the auditors of the Company that the adjustments are fair and reasonable and subject to the approval of the Inland Revenue.
- 6.9 Subject to the obtaining of Shareholders' consent at the EGM to the adoption of new articles of association to effect the introduction of the Group Incentive Scheme, it is intended that no further options will be granted under the Scheme.
7. **Memorandum and articles of association**
- 7.1 Clause 3 of the Memorandum of Association of the Company provides that the Company's principal objectives are, *inter alia*, to carry on the trade or trades of spinning, doubling, weaving, bleaching, dyeing and printing or in any way to manipulate cotton flax, wool, jute, silk or other fibrous substances. It also provides for the Company to carry on all or any of the business of planting and growing, rearing, importing, manufacturing, blending, packaging, distributing, dealing in, buying and selling, as principals or agents, all foods, food producing animals, and ingredients of foods, and consumables of all kinds.
- 7.2 The articles of association of the Company (the "Articles") adopted by Special Resolution passed on 24th July 1996 contain, *inter alia*, provisions to the following effect:
- 7.2.1. *Voting rights of members*
- Subject to any special terms as to voting upon which any shares may have been issued and to the shares concerned not having been disenfranchised under the Articles by reason of a failure to comply with a notice duly served under section 212 of the Act within 28 days, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote upon a show of hands and every member present in person or by proxy shall upon a poll have one vote for every share of which he is the holder.

7.2.2 Dividends

Subject to the provisions of the Articles and the Act the Company may by ordinary resolution in general meeting declare a dividend to be paid to members according and in proportion to the amounts paid up on the shares held by such members, but no larger dividend shall be declared than is recommended by the Directors.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of for the benefit of the Company until claimed. No dividend is to bear interest as against the Company and if it remains unclaimed for a period of twelve years from the date of declaration of the same, it will be forfeited and belong to the Company absolutely.

Unless otherwise resolved by members, shareholders will not be entitled to elect to take the whole amount of any scrip dividend in shares, but must instead take such minimum amount in cash as may be necessary to ensure the Ordinary Shares retain the status of wider range investments under the Trustee Investment Act 1961.

Where any amount is to be applied in capitalising the undivided profits or reserves of the Company towards paying amounts unpaid on any shares this will only be possible if the amount of the net assets of the Company is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the Company's last audited accounts and would not be reduced below that amount as a result of the capitalisation.

7.2.3 Transfer of shares

Subject to any conditions or restrictions otherwise contained in the Articles, a member may effect a transfer of shares in writing in any usual common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee and must be duly stamped and lodged at the office of the Registrars accompanied by the share certificate and such other evidence as the Directors may reasonably require to prove the title of the intended transferor. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of it. The Directors may in their absolute discretion and without assigning any reason for it, refuse to register any transfer of a share unless all of the following conditions are satisfied:

- (i) it is in respect of a fully paid share provided that in so doing the Directors shall not prevent dealings from taking place on an open and proper basis;
- (ii) it is in respect of a share on which the Company does not have a lien;
- (iii) it is in respect of only one class of shares;
- (iv) it is in favour of not more than four joint holders as transferees;
- (v) it is duly stamped; and
- (vi) it is left at the transfer office of the Company (or such other place determined by the Directors) accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to prove the right of the transferor to make such transfer.

7.2.4 Changes in capital

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new shares as the resolution prescribes;
- (ii) consolidate all or any of its shares into shares of a larger amount;
- (iii) sub-divide its shares or any of them into shares of a smaller amount and determine that, as between the shares resulting from such sub-division, one or more of them may have any preference or other special rights or be subject to any such restrictions as compared with the others;
- (iv) cancel any shares which have not been taken or agreed to be taken and consequently diminish its share capital by the amount of the shares cancelled.

Subject to the Act the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

7.2.5 Distribution of assets on a winding up

On any winding up of the Company the liquidator may with the authority of an extraordinary resolution of the Company divide amongst the members in specie the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair on any one or more class of property and may determine how the division will be carried out as between the members or different classes of member.

7.2.6 Variation of rights

Subject to the provisions of the Act, if at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied or abrogated in such manner (if any) as may be provided by such rights or in the absence of any such provision with the consent in writing of the holders of three-fourths of the nominal amount of the issued shares of that class or with the sanction of an

extraordinary resolution passed at a separate meeting of the holders of issued shares of that class but not otherwise.

The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless provided otherwise in the Articles or the terms of issue of the shares of that class) be deemed to be a variation or abrogation of the rights of such shares.

7.2.7 *Directors' interests in contracts*

Save as expressly provided in the Articles, a Director shall not vote in respect of any contract, arrangement or any other proposal whatsoever in which he has any interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company or in respect of which he has any duty which conflicts with his duty to the Company. A Director shall not be counted in the quorum at the meeting in relation to any resolution on which he is debarred from voting.

A Director shall be entitled to vote in respect of any resolution concerning:

- (i) any transaction or other proposal concerning any other company in which he may be interested as a director or shareholder provided he is not interested in one per cent. or more of the equity share capital of such company;
- (ii) the adoption, modification or operation of a superannuation fund or retirement benefits scheme which has been approved or is conditional upon approval by the Inland Revenue;
- (iii) any proposal for the benefit of employees of the Group under which he benefits in a similar manner to the employees;
- (iv) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;
- (v) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company for which he has assumed responsibility (in whole or part) under a guarantee, indemnity or other security; or
- (vi) any proposal concerning an offer of shares or debentures or other securities of the Company for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof.

7.2.8 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital and to issue debentures and other securities.

7.2.9 *Retirement or non-retirement of Directors under an age limit*

A Director reaching the age of 70 may only be appointed or reappointed if approved by a resolution of the Company in general meeting of which special notice has been given. In these circumstances, the notice of the meeting, or any documents accompanying it must indicate the relevant Director's age.

7.2.10 *Untraced shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission on death or bankruptcy if and provided that:

- (i) for the period of twelve years prior to the publication of the advertisements referred to below no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the member or to the person entitled to the share by transmission on death or bankruptcy at his address on the Company's register of members or his other last known address to which cheques and warrants are to be sent, has been cashed and no communication has been received by the Company from such member or person entitled by transmission provided that in any such period of twelve years the Company has paid at least three dividends whether interim or final and no such dividend has been claimed; and
- (ii) the Company has at the expiration of the said period of twelve years inserted advertisements both in a leading London daily newspaper and a newspaper circulating in the area of the address for service of notices on the member or other person entitled giving notice of its intention to sell such share; and
- (iii) the Company has not during the twelve year period referred to above and the further period of three months after the date of publication of the advertisements and prior to the exercise of the power of sale, received any communication as to the whereabouts of the member or person entitled by transmission; and
- (iv) the Company has first given notice in writing to the London Stock Exchange of its intention to sell such share.

7.2.11 *General meetings*

- (i) In addition to the provisions of the Act a poll can be requested by two members entitled to vote rather than five as provided under the Act.

- (ii) A member will not be entitled to be present or vote at a general meeting or upon a poll unless all calls or other sums presently payable by him in respect of his shares have been paid.

7.2.12 Suspension of rights

Where the Company serves a notice on a registered holder of shares requiring that person to give information as to the actual ownership of such shares pursuant to section 212 of the Act, failure to provide such information in accordance with the Act within 14 days can lead to sanctions being imposed under the Articles including withholding the right to attend and vote at general meetings and where the shares in question represent 1/4% or more of the class of shares concerned:

- (i) withholding dividend payments without liability to pay interest thereon; and
- (ii) refusal in certain circumstances to register transfers of the shares in respect of which the failure to comply has occurred.

7.2.13 Notices

If, due to the suspension or curtailment of postal services, a general meeting is called by way of advertisement, the Articles require that the advertisement appears in at least one national daily newspaper and if the postal service resumes at least seven days prior to the meeting, confirmatory copies must be sent by post.

The Articles are proposed to be amended by special resolution numbered 2 contained in the notice of the EGM in order to create the Deferred Shares which will have the rights and restrictions summarised in Part 6 of this document.

8. Material contracts

- 8.1 The only contracts, not being contracts in the ordinary course of business, to have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document which are or may be material are as follows:

- 8.1.1 The material contract details whereof were contained in the circular to Shareholders dated 14 May 1996.

- 8.1.2 Placing Agreement dated 6 March 1997 between the Company (1) and Bell Lawrie White (2) pursuant to which (i) Bell Lawrie White has agreed to make the Open Offer to Qualifying Shareholders and, subject to the rights of Qualifying Shareholders under the Open Offer, to use its reasonable endeavours to procure subscribers for the new Ordinary Shares and, to the extent that it does not procure subscribers, to subscribe for such shares itself; (ii) certain representations, warranties and undertakings and an indemnity have been given by the Company to Bell Lawrie White; and (iii) the Company has agreed to pay Bell Lawrie White (a) the following commissions on the value, at the Issue Price, of the new Ordinary Shares: a commitment commission of 1.25 per cent. and, if the conditions of the Placing Agreement are fulfilled, a further commission of 0.75 per cent., out of which commissions Bell Lawrie White will pay commissions to subscribers procured by it and (b) a fee of £120,000. The Placing Agreement is conditional upon, *inter alia*, the passing at the EGM of the special resolution numbered 1 set out in the notice of meeting at the end of this document and upon the London Stock Exchange admitting the new Ordinary Shares to the Official List and such listing becoming effective not later than 4 April 1997 or such later date (not being later than 30 April 1997) as the Company and Bell Lawrie White may agree. Bell Lawrie White is entitled at any time before satisfaction of the latter condition to terminate the Placing Agreement in the event of *force majeure* or material breach of warranty.

- 8.1.3 Acquisition Agreement dated 6 March 1997 between the Vendors (1) and the Company (2) pursuant to which the Company has agreed to purchase 95 per cent. of the issued share capital of Chadha International Foods Limited for a total consideration of £6.7 million, subject to adjustment in accordance with a completion statement. If the profit before tax of Chadha for the financial year ending 31 March 1997 shall be less than such amount (the "Target Amount") as shall when aggregated with certain non-recurring items of expenditure (which shall in any event be not less than £344,500 and not more than £384,500) equal the amount of £678,000 then the consideration payable by the Company shall be reduced by £9 for every £1 by which the profit before tax is less than the Target Amount. The Vendors have given usual warranties and certain indemnities to the Company pursuant to this agreement. The Vendors have also entered into restrictive covenants in order to ensure that the goodwill attaching to Chadha is protected, to the effect that for a period of 24 months from completion the Vendors will not, without the prior written consent of the Company carry on or be engaged in any business which competes with Chadha, or solicit or knowingly accept orders, enquiries or business in respect of any such business from an existing customer of Chadha, or divert away any orders or enquiries or business from existing customers of Chadha, and will not seek to interfere with the ongoing relationships between Chadha and its business contacts. In the event that Shareholders do not vote in favour of the Acquisition WT Foods has agreed to meet the Vendors' reasonable costs associated with the proposed Acquisition subject to a maximum of £50,000 (inclusive of VAT). Pursuant to the Acquisition Agreement the Company will enter into an option agreement with Ravneet and Harpreet Chadha regarding the minority 5 per cent. shareholding in Chadha. At any time during the period from 31 March 2000 to 31 March 2001 Ravneet and Harpreet Chadha will be entitled to require the Company to purchase their minority 5 per cent. shareholding and the Company will be entitled to require Harpreet and Ravneet Chadha to sell their minority 5 per cent. shareholding. The price payable for the minority 5 per cent. shareholding will be calculated by reference to a formula based on a multiple

of the profits of Chadha during the financial period ending 31 March 2000. Completion of the Acquisition is subject to satisfaction of the conditions to the Placing Agreement.

8.1.4 Sale Agreement dated 6 March 1997 between WT Foods and Matahari 154 Limited (1) and Ajit S Chadha and Manmohan S Chadha (the "Buyer") pursuant to which the Buyer has agreed to purchase the entire issued share capital of Red Rose for a cash consideration of £600,000. Under the terms of the Sale Agreement WT Foods has given usual warranties and indemnities for a transaction of this nature and may be required to make payments in certain circumstances up to a maximum amount of £175,000 in respect of certain employment and other costs which may be incurred by Red Rose and/or the Buyer. The maximum payment that may be made by WT Foods pursuant to the warranties and indemnities is £100,000. WT Foods has also agreed to waive the repayment of an inter-company loan to Red Rose which currently amounts to £542,083. Completion of the Sale is subject to satisfaction of the conditions to the Placing Agreement.

8.2 There are no contracts, not being contracts in the ordinary course of business, entered into by Chadha within the two years immediately preceding the date of this document which are or may be material.

9. Significant changes

9.1 Save for the Proposals, there have been no significant changes in the trading or financial position of the Group since 30 September 1996, the date to which the last unaudited interim results of the Group were made up.

9.2 Save as disclosed in the sub-section headed "Financial record and current trading" in Part 1 of this document, there have been no significant changes in the trading or financial position of Chadha since 31 March 1996, the date to which its last annual audited accounts were made up.

10. Litigation

10.1 There are no legal or arbitration proceedings (nor are there any such proceedings which are pending or threatened of which the Company is aware) involving any member of the Group which may have, or have had during the last 12 months, a significant effect on the financial position of the Group.

10.2 There are no legal or arbitration proceedings (nor are there any such proceedings which are pending or threatened of which the Company is aware) involving Chadha which may have, or have had during the last 12 months, a significant effect on the financial position of Chadha.

11. Indebtedness

At the close of business on 31 January 1997 the WT Foods Group and Chadha had in aggregate outstanding borrowings of £3,023,485 comprising secured bank term loans of £1,285,463, secured bank overdrafts of £1,392,058 and hire purchase and finance lease commitments of £345,964.

Save as aforesaid, and apart from intra-Group liabilities, at the same date the WT Foods Group and Chadha had no loan capital outstanding or created but unissued (including term loans), and no mortgages, charges or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase and finance lease commitments or any material contingent liabilities or guarantees.

At the same date the WT Foods Group and Chadha had cash balances of £2,206,970 and £245,233 respectively

12. Working capital

In the opinion of the Company, taking account of existing borrowing facilities and of the net proceeds of the Placing and Open Offer and of the Sale, the working capital available to the Enlarged Group is sufficient for its present requirements.

13. Subsidiary undertakings

13.1 The principal subsidiary undertakings of the Company, each of which is wholly-owned, are as follows:

	<i>Field of activity</i>
Bart Spices	Manufacture of herbs and spices
La Mexicana	Manufacture of Mexican food
Enco	Manufacture and distribution of speciality foods
Red Rose	Manufacture of velvet products

13.2 The Company's other subsidiary undertakings, each of which is wholly owned, are: Ashmoore Textiles Limited, DM Finance & Investments Limited, Drenning Limited, Dunn's River Produce Limited, H. Passmore Limited, Matahari (154) Limited and Veeraswamy's (Food Products) Limited.

13.3 Each of the Company's subsidiary undertakings has its registered office at 2 Apex Point, Travellers Lane, Welham Green, Hertfordshire AL9 7HF.

13.4 All of the Company's subsidiary undertakings are included in the Group's consolidated annual accounts.

14. Premises

The principal establishments of the Group (being establishments which account for more than 10 per cent. of net turnover or production of the Group) are as follows:

<i>Owner/occupier</i>	<i>Location/description</i>	<i>Nature of ownership</i>	<i>Current annual rental</i>	<i>Approx. area</i>
Bart Spices	Bristol: factory and offices	Leasehold expiring in 2078	£8,000	13,200 sq.ft.
La Mexicana	Aylesbury: factory, warehouse and offices	Leasehold expiring in 2003	£69,000	15,000 sq.ft.
Enco	Welham Green: factory, warehouse and offices	Leasehold expiring in 2017	£130,000	22,000 sq.ft.

15. Market values of Ordinary Shares

The following table sets out the closing middle market price of an Ordinary Share, as derived from the London Stock Exchange Daily Official List of the first dealing day of each month from October 1996 to March 1997 and of 6 March 1997, the last dealing day before the announcement of the Placing and Open Offer:

<i>Official List date</i>	<i>Price (p)</i>
1 October 1996	26
1 November 1996	26
2 December 1996	31½ xd
2 January 1997	30
3 February 1997	32
3 March 1997	33
6 March 1997	33

16. Consents and authorisations

16.1 Bell Lawrie White has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references thereto in the form and context in which they appear. For the purposes of section 152(1)(e) of the Financial Services Act 1986) Bell Lawrie White has authorised the contents of this document only as regards the inclusion of its letter in Part 2.

16.2 BDO Stoy Hayward has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and its report on Chadha in Part 4 and the references thereto in the form and context in which they appear. For the purposes of section 152(1)(e) of the Financial Services Act 1986, BDO Stoy Hayward has authorised the contents of this document only as regards the inclusion of its report on Chadha in Part 4.

17. General

17.1 The Placing and Open Offer has been fully underwritten by Bell Lawrie White, a division of Brewin Dolphin Bell Lawrie Limited. Brewin Dolphin Bell Lawrie Limited is regulated by The Securities and Futures Authority Limited and has its registered office at 5 Giltspur Street, London EC1A 9BD.

17.2 The registrars of the Company, and the receiving bankers for the Open Offer, are Connaught St. Michaels Limited, PO Box 30, Victoria Street, Luton, Bedfordshire LU1 2PZ.

17.3 The expenses in connection with the Proposals and the introduction of the Group Incentive Scheme are estimated to amount to £400,000 exclusive of VAT and are payable by the Company. This figure includes total remuneration of financial intermediaries, namely Bell Lawrie White and placees pursuant to the Placing, of approximately £281,000 excluding VAT.

17.4 The new Ordinary Shares will be issued only pursuant to the Placing and Open Offer and are not otherwise available in whole or in part to the public.

18. Inspection of documents

The following documents or copies thereof may be inspected at the offices of Edge & Ellison at 18 Southampton Place, London, WC1A 2AJ during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 2 April 1997:

18.1 the memorandum and articles of association of the Company;

18.2 the proposed new articles of association of the Company;

18.3 the audited consolidated accounts of the Company for the three financial years ended 31 March 1996;

18.4 the audited accounts of Chadha for the three financial years ended 31 March 1996;

18.5 the accountants' report on Chadha reproduced in Part 4 and their statement of adjustments relating thereto.

18.6 the service contracts referred to in paragraph 4.5 above;

- 18.7 the material contracts referred to in paragraph 8 above;
- 18.8 the letters of consent referred to in paragraph 16 above; and
- 18.9 the rules of the Share Option Scheme.

WT FOODS plc

Registered in England No. 94632

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at the offices of Edge & Ellison, Solicitors, 18 Southampton Place, London, WC1A 2AJ at 11.00 a.m. on 2 April 1997 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as special resolutions:

SPECIAL RESOLUTIONS

1. THAT

- (a) the conditional agreement dated 5 March 1997 and made between M. S. Chadha and A. S. Chadha (1) and the Company (2) which relates to the acquisition of 95 per cent. of the issued share capital of Chadha International Foods Limited and the associated arrangements for the acquisition by the Company of the 5 per cent. of such issued share capital from R. S. Chadha and H. S. Chadha, a copy of which, marked "A", is produced to the meeting and for the purposes of identification signed by the Chairman, be and it is hereby approved and ratified and the directors be and they are hereby authorised to do, agree and execute all such documents, acts, deeds and things as may be required to complete the said agreement subject to such amendments, not being of a material nature, as they may think fit;
- (b) the authorised ordinary share capital of the Company be and it is hereby increased from £18,012,900 to £27,096,750 by the creation of an additional 36,335,400 ordinary shares of 25p each ranking *pari passu* in all respects with the existing ordinary shares of 25p each in the capital of the Company;
- (c) the directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all and any powers of the Company to allot relevant securities (within the meaning of sub-section (2) of section 80 of the Act) in the capital of the Company up to an aggregate nominal amount of £6,706,065.25 in connection with the placing and open offer to shareholders as described in the circular to shareholders of the Company dated 7 March 1997 ("Circular") containing notice of this resolution and otherwise a maximum nominal amount of £6,978,554 provided that this authority shall expire on 1 April 2002 but so that:
 - (i) this authority shall allow the Company, before the expiry of this authority, to make offers, agreements or other arrangements which would or might require relevant securities to be allotted after such expiry and so that the directors shall be allowed to allot relevant securities pursuant to any such offers, agreements or other arrangements as if this authority had not expired; and
 - (ii) the authorities previously conferred on the directors to allot relevant securities shall cease to have effect provided that such cessation shall not have retrospective effect;
- (d) the directors be and they are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of sub-section (2) of section 94 of the Act) in the capital of the Company pursuant to the authority conferred on them by paragraph (c) of this resolution as if section 89 of the Act did not apply to any such allotment provided that:
 - (i) the power hereby conferred shall be limited:
 - (a) to the allotment of equity securities in connection with the said placing and open offer;
 - (b) to the allotment of equity securities otherwise than pursuant to sub-paragraph (a) above in connection with rights issues and other offers in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal, regulatory or practical problems arising under the laws of, or requirements of any recognised regulatory body or any stock exchange or otherwise in, any overseas territory; and
 - (c) to the allotment (otherwise than pursuant to sub-paragraph (a) and (b) above) of equity securities up to an aggregate nominal amount of £1,005,910;
 - (ii) the power hereby conferred shall expire on the earlier of 1 July 1998 and the date of the annual general meeting of the Company in 1998 but so that this power shall allow the Company, before the expiry of this power, to make offers, agreements or other arrangements which would or might

require equity securities to be allotted after such expiry and so that the directors shall be allowed to allot equity securities pursuant to such offers, agreements or other arrangements as if this power had not expired; and

- (iii) this power shall be in substitution for and to the exclusion of any other power previously conferred on the directors pursuant to section 95 of the Act.

2 THAT

- (a) in the event that special resolution 1 shall have been passed the share capital of the Company be and it is hereby increased from £27,096,750 to £27,100,228.64, or in the event that special resolution 1 shall not have been passed the share capital of the Company be and it is hereby increased from £18,012,900 to £18,016,378.64, by the creation of 6,957,280 non-voting deferred convertible redeemable shares of 0.05p each in the capital of the Company ("Deferred Shares") having the rights set out in the new articles of association to be adopted pursuant to sub-paragraph (e) of this resolution;
- (b) the directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Act to exercise all and any powers of the Company to allot relevant securities (within the meaning of sub-section (2) of section 80 of the Act) in the capital of the Company up to an aggregate nominal amount of £3,478.64 in connection with the issue of new Deferred Shares provided that this authority shall expire on 1 April 2002 but so that:
- (i) this authority shall allow the Company, before the expiry of this authority, to make offers, agreements or other arrangements which would or might require relevant securities to be allotted after such expiry and so that the directors shall be allowed to allot relevant securities pursuant to any such offers, agreements or other arrangements as if this authority had not expired; and
- (ii) this authority shall be in addition to any existing and unexercised authorities granted.
- (c) the directors be and they are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of sub-section (2) of section 94 of the Act) in the capital of the Company pursuant to the authority conferred on them by paragraph (b) of this resolution as if section 89 of the Act did not apply to any such allotment provided that the power hereby conferred shall be limited to the allotment of equity securities in connection with the issue of new Deferred Shares or any new Ordinary Shares which fall to be issued on or in connection with the arrangements relating to the conversion or redemption of Deferred Shares;
- (d) the power hereby conferred shall expire on the earlier of 1 July 1998 and the date of the annual general meeting of the Company in 1998 but so that this power shall allow the Company, before the expiry of this power, to make offers, agreements or other arrangements which would or might require equity securities to be allotted after such expiry and so that the directors shall be allowed to allot equity securities pursuant to such offers, agreements or other arrangements as if the power had not expired;
- (e) the new articles of association, incorporating amendments to give effect to the Group Incentive Scheme (as defined in the Circular) and setting out the terms of the Deferred Shares and whose principal terms are set out in Part 6 of the Circular, (a copy of the new articles of association marked "B" being produced to the meeting and for the purposes of identification signed by the Chairman), be adopted in substitution for the existing articles of association of the Company.

Registered Office:
2 Apex Point
Travellers Lane
Welham Green
Hertfordshire AL9 7HF
7 March 1997

BY ORDER OF THE BOARD

A.R. Martin FCA
Secretary

Notes:

1. A member of the Company who is entitled to vote at the above-mentioned extraordinary general meeting may appoint another person or persons (whether a member or not) as his proxy to attend and, on a poll, to vote on his behalf.
2. To be effective, a form of proxy and any power of attorney or other authority under which it is signed or a notarially certified or office copy of such power or authority must be lodged with the Company's registrars, Connaught St. Michaels Limited, PO Box 30, Victoria Street, Luton, Bedfordshire LU1 2BR by 11.00 a.m. on 31 March 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. Completion and return of a form of proxy will not prevent a member from attending and voting in person should he or she so wish.