

# FOOD GROUP

NOVEMBER 2006

## NEWSLETTER

*This is the latest edition of Rollits' Food Group newsletter and, as always, we would be delighted to receive your feedback. Our food team is now in its second year and things have moved on at quite a pace. We have built upon our excellent base of food clients, both corporate and individual, and we continue to be involved in a wide variety of food-related work.*

In this newsletter we feature another of our major food events, a **Food Directors' Round Table**, at Hazlewood Castle on 13 June 2006. More than 25 directors of food companies attended this unique event hosted by Rollits with our special guest, Dr Jon Bell. Jon retired as Chief Executive of the Food Standards Agency in April this year after working for the UK Government on agri-food issues for over 30 years. The stimulating Round Table discussion covered a very wide range of topics on food safety and dietary health.

Also in this edition we report on Rollits' partner Chris Platts, who presented "**Kick your bad habits or else...**" at a food safety seminar at the Innovation Centre, Europarc, Grimsby on 30 June 2006.

One of our most keenly read items is a comprehensive, month by month **review of M&A activity in the food industry**. However tough times may be for food manufacturers, the pace of acquisitions in the food sector rarely slackens. The pressure to focus on core business is stronger than ever and this has caused many plcs to divest peripheral or underperforming businesses. Also the significant involvement of private equity investors in food brings a steady flow of businesses back to the market.

Rollits is exceptionally well placed to provide a one stop shop for food clients. Our Food Group specialises in the food industry and keeps extremely close to M&A opportunities in the sector. Our corporate finance and tax resource under former PricewaterhouseCoopers partners Neil Jenneson and Alan Hart enables us to give complementary financial advice, whilst Rollits' company and commercial law expertise meets all the legal requirements of a vendor, purchaser or buy-out/buy-in management team. This newsletter covers Rollits' advisory role in the TSC Foods MBO in September.

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# Rollits

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# Rollits' Food Group

## Lion Foods in sauces sale

In April 2006 Food Group Director Julian Wild advised Lion Foods Holdings on the sale of its sauces, condiments and dressings business to AarhusKarlshamn UK (AAK). The Lion Foods sauces business was part of a privately-owned food manufacturing company based in Runcorn, Cheshire. Its products included sauces and ketchups, mustards, condiments and dressings with distribution channels into foodservice, retail and food manufacturing. The Lion Foods business is a good fit for AAK, one of the world's leading manufacturers of high value-added speciality vegetable oils and fats. Lion Foods Holdings will now focus on its remaining herbs and spices business, which is consolidating at its Spicemanns operation in Scotland.

## TSC Foods MBO

Rollits' Food Group has worked in conjunction with the firm's Corporate Finance Director, Neil Jennesson, and senior corporate partner, Steve Trynka, to provide a full food, corporate finance and legal service to the management buy-out team at TSC Foods in Scunthorpe. The company was bought by a management team led by Brian Dahl (Managing Director) and Bill Morran (Finance Director), supported by GE Commercial Finance, from Gourmet Invest NV, a private equity investor based in Belgium. TSC Foods currently has a turnover of £22m and employs 250 people, supplying the UK foodservice and retail markets with high quality chilled and frozen sauces, soups and a range of other products.

*"We were very pleased with the Rollits input to the deal and fully intend to maintain a close relationship with Rollits and its Food Group going forward" said TSC Foods Finance Director Bill Morran.*

## Rollits to sponsor award at Deliciously Yorkshire Dinner

Rollits are delighted to be sponsoring the Most Innovative New Food Product award at the 2006 Deliciously Yorkshire Food Awards Dinner to be held at the Merchant Adventurers Hall in York on Thursday, 2 November.

Last year Rollits became the first law firm to become accredited members of the Regional Food Group for Yorkshire & the Humber, who have created the 'Deliciously Yorkshire' brand and are the organisers of the Awards Dinner.

*"Supporting this award seemed to us to be the ideal way to link Rollits with innovation in food in the region," said Julian Wild. "We know that there will be some very exciting new products to judge."*

## 1 October brings important legal changes

Significant fire safety reforms came into effect at the start of October with the intention of making compliance simpler. But more onus is now on each company and various Government guides have been issued according to the type of premises used, including factories, warehouses and shops. Fire risk assessments are critical to staying on the right side of the law as well as avoiding the potentially devastating effects of a fire.

Also from 1 October new laws came into force requiring all gangmaster businesses in agriculture and food processing to be licensed. Gangmasters who continue to trade without a licence will be acting illegally and face potential penalties of up to 10 years imprisonment and an unlimited fine. The Gangmasters Licensing Authority started accepting licence applications in April 2006 and are keen to separate legitimate businesses from rogue operators.

For further advice contact Chris Platts on 01482 337363

# Month by month guide to M & A 2006

Whilst we do not set out to cover every transaction in the food sector, many of Rollits' food clients are interested in knowing about the major deals which are taking place, who is acquiring and divesting, and the sort of prices being paid. This popular feature of our Food Group Newsletter gives a summary by month of the key transactions in the food industry. We aim to get all the details correct, but if we have overstated (or understated) the sale value, please do let us know and we will happily correct it!

## Late February / March

After our March newsletter went to press, several notable deals were announced later in February. Noi Sirius, Iceland's biggest confectionery company, acquired a majority stake in Elizabeth Shaw, the makers of Mint Crisp and Famous Names chocolate confectionery. Also in February, Northern Irish crisp manufacturer Tayto acquired Golden Wonder's manufacturing facility at Scunthorpe together with the brands Golden Wonder, Golden Skins crisps, Golden Lights and Ringos. In a separate deal the administrators of Golden Wonder sold the Nik Naks and Wheat Crunchies brands to United Biscuits.

On 2 March Stephen Oldfield and David Chubb of PricewaterhouseCoopers were appointed joint administrators to Celsius First Limited, the frozen food cold storage and transport business with eight sites in England and Scotland. Within three weeks four of the depots were sold to Yearsley Group.

In our last bulletin we reported on the acquisitions of Thomas Foods and Giles Foods (becoming Thomas Food Group), niche quiche and savoury pastry manufacturers, by Food Investment Group. FIG subsequently partnered with Duke Street Capital to make a further acquisition in the 'Food to Go' sector when buying sandwich and salads maker Buckingham Foods from private equity-owned Prize Food Group. Bill Hazeldean will chair both TFG and Buckingham. DSC made a further move in sandwiches by buying Food Partners later in the year and the group is now called Adelie Food Holdings.

*The acquisition by Pan Fish of Marine Harvest for over 1.3bn euros created the world's largest fish farming operation.*

Quite a bit smaller, but strategically important, Robert Wiseman Dairies purchased the liquid milk business of Definitely Devon from the joint owners, Torridge Vale and the Co-op, for around £0.8m. The acquisition will add additional volume to Wiseman's new dairy being built in Somerset (see later).

Canada Bread, owned by Maple Leaf Foods Inc., bought the Harvestime bakery business in Walsall, producing par-baked breads, rolls and speciality bakery products mainly for retailers with sales of £19m. Harvestime now forms part of Maple Leaf Bakery UK and broadens its base in bagel manufacturing to being a multi-category producer.

Acquisitive AIM listed food manufacturer Zetar moved into the natural snacks area through the acquisition of Sleaford-based Readifoods for a maximum consideration of £4.2m. This took Zetar into the premium dried fruit and nut market and Zetar added to this acquisition later in the year.

At the end of March Marks & Spencer announced the sale of its US Kings Super Markets business for £35.4m, just above net asset value.

## April

Early in the month Cadbury Schweppes announced the sale of its South African branded concentrate and soft drinks company Bromor Foods to Tiger Brands, a local food and healthcare company, for £109m. At the same time Cadbury revealed its intention to sell the £80m UK-based popcorn and confectionery business, Monkhill, a process likely to take place in 2007. This will enable Cadbury to focus on being a global confectionery and drinks company, which was reinforced later in April by its acquisition of the remaining 55% of Dr Pepper/Seven Up Bottling Group from The Carlyle Group for £198m, and its acquisition of the Seven-Up Bottling Company of San Francisco from the Easley family for £25m in August.

Compass Group is also focusing on core activities, in its case being contract catering and support services. Its sale of Select Service Partners to Swedish private equity group EQT for £1.8bn meant an exit from food businesses such as Harry Ramsden's and Millie's Cookies. £143m of the proceeds were to be used by Compass



to buy the remaining 51% of sports stadium catering business Levy Restaurants in the US. Compass also sold the Moto motorway service station business to a consortium led by Australian Macquarie Bank.

Duke Street Capital swiftly added to its earlier sandwich acquisition, Buckingham Foods, by acquiring the leading food service sandwich maker Food Partners from the Pan European Food Fund. Food Partners, with plants at Heathrow, Park Royal and Kilmarnock, cements DSC's growing position in the Food to Go market.

*The former Sara Lee factory in Bridlington, which was closed by Global Cake Company (part of US food giant Schwan) at the end of March, was bought in April by Country Style Foods.*



# May

Hain Celestial Group bought the Heinz sandwich business in Luton, employing 425 people.

The Competition Commission finally cleared Cott Beverages' £75m acquisition of Macaw soft drinks announced in August 2005. Cott has a significant share of the UK own label carbonated soft drinks market.

Within a year of acquiring Geest plc and privately-owned Hitchen Foods, the Icelandic Bakkavor Group made two further acquisitions within a few days in May. The purchase of bread manufacturer New Primebake was followed shortly after by the £130m acquisition of Laurens Patisseries, a leading UK manufacturer of own label chilled desserts and cakes based in Newark, with turnover of around £75m.

One of the medium-sized UK food plcs, ice cream manufacturer Richmond Foods, prepared to depart the public arena as it agreed a £182m sale to Ruby Acquisitions, controlled by US based Oaktree Capital Management, owners of Roncadin. Richmond and Roncadin will create a pan-European ice cream company.

Speculation started to mount about the sale of dried fruit and snack producer Whitworths by its private equity owners, Gresham Private Equity.

At an extraordinary general meeting on 10 May the board of Nisa-Today's recommended a merger with Costcutter, valuing the new company at an estimated £200m.

*On a smaller scale, Steve Hathaway and his senior management team completed the buy-out of Newton Abbot savoury pastry manufacturer Brittons of Devon from its previous owners, Quanon.*

Cadbury Schweppes, which had held a 5% stake since 2002, completed the purchase of the fastest growing confectionery brand, Green & Black's, to continue its expansion in the luxury organic chocolate sector. Green & Black's founder, Craig Sams, will remain as President with William Kendall continuing as CEO.

Leading soft drinks company AG Barr, famous for Irn-Bru, has added the premium Strathmore Mineral Water Company to its stable of brands. Strathmore, based in Forfar, was acquired from US owner, Constellation Brands, for £15m.

# June

The month got off to a sparkling start with the announcement that Starwood Capital Group had sold the sought-after Taittinger Champagne business to Credit Agricole for 660m euros. Taittinger is the sixth largest champagne company in France and dates back to 1734.

Switching to drink of a different sort, Robert Wiseman Dairies made further progress in its plans to fill a £46m new dairy in Bridgwater, Somerset (to open in Autumn 2007) by agreeing to acquire the fresh liquid milk business of Milk Link for £5.5m. The target business comprises Peninsula Milk Processors and Newlands Farm. The deal was cleared by the OFT in August and follows on from Wiseman's earlier Definitely Devon purchase.

The much anticipated sale of the European frozen food businesses of Heinz sparked into life with the sale of the UK frozen meat-free business to Hain

Celestial Group. The sale included the Linda McCartney brand and the Fakenham factory. The rest of the European frozen activities remain under review.

Food giant Nestle took another significant step in transforming itself into a "nutrition, health and wellness company" by acquiring US weight management business Jenny Craig from private equity owners ACI Capital and MidOcean Partners for \$600m. Jenny Craig has bounced back following the decline of low-carb diets, boosted by support from actress Kirstie Alley.

The focus on nutrition continued with the purchase by Glanbia of Middlesborough-based Pro-Fibe Nutrition, a developer of meal replacement bars and beverages. The business has become Glanbia Nutritionals and adds to Glanbia's 2004 acquisition of German Kortus Food Ingredients Services.

If any further evidence was needed that 'healthy' and 'snacking' are high on the agenda of many of the most acquisitive companies, Zetar moved further into that market with the acquisition of Hull-based Humdinger Foods for a price of up to £13m in cash/shares.

# July

Just in case anyone should think that traditional candy is out of favour amidst all this healthy eating, Italian confectionery company Perfetti Van Melle kicked off July by acquiring Spanish lollipop maker Chupa Chips and mint brand Smint for an undisclosed sum, but rumoured to be around £280m.

*Private equity group, Doughty Hanson, having floated RHM last year, exited its remaining 26.6% stake for just under £250m.*

Returning to multinationals' desire for greater focus and large branded positions, Sara Lee Corporation sold its Holland-based European meats business to the largest US meat processor, Smithfield Foods, for close to £340m. With existing businesses in France, Romania and Poland, Smithfield is gaining a stronger foothold in Europe.

Irish beverage company C&C Group, best known for the phenomenal success of its Magners cider, sold Tayto Crisps, the leading savoury snacks and crisps business in Ireland, to Largo Food Exports for 62m euros.

Newton Abbot-based Pasta King completed an MBO led by Managing Director Sue Davenport with the support of Matrix Private Equity Partners. Pasta King's pasta bars provide quick service meals to major caterers and universities.

July was a momentous month for Premier Foods plc as it first announced the acquisition of the UK and Irish businesses of the Campbell Soup Company for £460m. The purchase includes the 'iconic' brands Oxo, Batchelors, Homepride and Fray Bentos, with sales last year of £263m.

Kraft acquired the Spanish and Portuguese operations of United Biscuits for \$1.1bn, which included European, African and Middle East rights to the Ritz and Oreo brands. This was seen as the first move towards the break-up of United Biscuits, taken private six years ago by the Finalrealm consortium for £1.2bn. UB's biscuit and snack brands include McVities's, Jacob's and KP. Industry estimates valued UB at over £2bn, but in September Premier Foods pulled out of the Goldman Sachs auction process, which now appears to have been put on hold. Blackstone, owners of the former Cadbury Schweppes European drinks business, were believed to be another contender.

Towards the end of the month Dairy Crest announced the acquisition of Express Dairies from Arla Foods for £33m, including dairies in Liverpool and Nottingham and 77 depots, mainly in the north and midlands. The deal saw Arla exit doorstep deliveries and confirmed Dairy Crest's position as the leading player in the doorstep and middle ground market. The never-ending consolidation in the UK liquid milk industry saw both this sale and the Wiseman-Milk Link deal cleared by the OFT in August.

Northern Foods, which had announced plans at the end of May to dispose of 40% of its total business, completed the sale of its chilled distribution business, NFT Distribution, to Phoenix Equity Partners for £51m, including a valuable freehold depot at London Colney.

# August

The Big Bear Group, which is headed by food industry gurus John Jackson and Paul Wilkinson, moved into a new sector to add the Honey Monster to their Fox's Glacier Mints polar bear. Big Bear acquired cereal brand Sugar Puffs and Harvest cereal bars from Quaker (PepsiCo) in a deal believed to be valued at £25-30m.

PepsiCo, which is the leading UK snacks manufacturer, will also have noted Lion Capital's significant move into the sector with the acquisition of Kettle Chips for a price rumoured to be in the region of £160m.

Scottish confectionery company Millar McCowan, which was formed after the Millar business went into receivership last year, fell into administration again in August, but the Highland Toffee and Wham brands were soon saved when Principal Capital Management emerged as a buyer for the Broxburn and Stenhousemuir operations.



*August may have been holiday time for many, but not for private equity group Permira Funds, which pulled off the £1.1bn acquisition of Unilever's frozen food business, including Birds Eye and Iglo. The operation covers 8 European countries, but not Italy, which is being retained by Unilever.*

Important to the Cornish tourist industry was the sale of £5m biscuit manufacturer Furniss of Cornwall to the Proper Cornish pasty company. Furniss had gone into administration in July.

# September

There may be a new EU sugar regime, but British Sugar's owner, Associated British Foods, has global sugar ambitions, as evidenced by the company's £286m acquisition of 51% of Illovo Sugar, Africa's largest cane sugar producer.

Another deal hitting the sweet spot was Wellness Foods' acquisition of the Rowse Honey Company, based in Oxfordshire. Wellness ended 2005 with the purchase of another business in the healthy eating sector, Orchard House Foods, the Corby-based producer of freshly squeezed juice, fresh fruit and smoothies.

The UK's third largest catering wholesaler, Woodward Foodservice, acquired DBC Foodservice from Danish Crown for an estimated £25m, creating a group with turnover around £400m.

The dairy merry-go-round this time saw Dairy Crest as a seller and First Milk as a buyer. The majority of Dairy Crest's retailer brand cheese operations have been sold to First Milk for nearly £62m, including the cheddar creameries at Haverfordwest and Aspatria, plus the facility at Maelor. Dairy Crest will now focus on its branded cheese business, most notably Cathedral City.

# Early October

The ingredients industry continues to attract much attention and the start of October saw several deals in this sector. Tate & Lyle made a further move into added value ingredients and its partnership with US-owned Microbia Precision Engineering is aimed at developing fermentation-derived renewable ingredients.

Dietary supplements and functional foods are also the subject of much interest and the Israel-based Fruitaram Industries has acquired Acatrix Health for 10.5m euros. Acatrix supplies natural botanical health ingredients from its operation in Belgium and was formerly part of Royal Schouton Group NV.

*Switching to bakery ingredients, Horizon Milling, a subsidiary of Cargill, has acquired three Canadian milling and three dry baking mix operations from Smucker Foods of Canada.*

Another ingredients giant, ADM, has purchased Lessaffre's 50% stake in International Malting Company to strengthen its position in the global malt market.



# 'Kicking bad habits' ... or else!

*Chris Platts is a member of Rollits' food team and is the partner specialising in personal injury and health & safety. But it was the consequences of failing to eliminate bad habits in the field of food safety which grabbed the attention of guests at a recent seminar Chris addressed in Grimsby.*

The Food Technology Advisory Service (FTAS) and SGS UK Ltd joined forces to hold a seminar at the Innovation Centre at Europarc on 30 June. Topics included ISO 22000 food safety management systems and BRC food standards, in which SGS specialise. Traceability was another key topic, whilst Chris Platts left the audience in no doubt about the legal implications for companies which do not comply with ever more demanding food standards. Martyn Allcorn of Westbury Dairies was among the other speakers.

## Former FSA Chief attends Rollits Round Table

Few people have the breadth of food experience of Dr Jon Bell. After 25 years with the Ministry of Agriculture, Fisheries and Food, Jon helped set up the UK Food Standards Agency in 2000 and became its first Director of Food Safety Policy, Chief Scientific Adviser and Deputy Chief Executive. Jon was appointed Chief Executive of the FSA in 2003 and remained in that role until April 2006 when he left to set up his own company, Jon Bell Associates.

Jon's exceptional knowledge of EU agriculture and food matters, particularly food safety and dietary health, were put to full use when he joined Rollits' Food Directors' Round Table at Hazlewood Castle, near Tadcaster, on 13 June 2006.

30 food professionals attended the Round Table and listened to Dr Bell explain the background to the FSA and the way it operates. He had to answer tough questions on the Agency's response to the major Sudan 1 food scare, as well as covering topics as diverse as BSE, avian flu and the e-coli outbreak in Wales. The food directors present engaged in a vigorous debate about the implications for the food industry, consumer confidence and the damage caused to corporate reputations.

In the second session of the day Jon Bell led a broad discussion on Dietary Health under the heading "How to help consumers help themselves". The very topical issues of traffic light labelling and guideline daily amounts provoked much keen

discussion, as did the lowering of fat, sugar and salt levels and the subject of childhood obesity.

Events such as Rollits' Food Directors' Round Table enable leading food companies to come together, network at a very senior level and develop relationships with other food professionals in similar roles. Rollits' links with a wide range of food companies allow us to bring food directors together in an innovative way and to stimulate serious discussion on current hot topics.

### INFORMATION

***If you have any queries on any articles in this newsletter or other food law matters generally please contact:  
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This newsletter is for the use of clients and will be supplied to others on request.

It is for general guidance only. It provides useful information in a concise form.

Action should not be taken without obtaining specific advice.

We hope you have found this newsletter useful. If, however, you do not wish to receive further mailings from us, please write to Mrs. Pat Coyle, Rollits,

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