

It may have been a very wet Summer (particularly for those of us with offices in Hull), but nothing seems to dampen enthusiasm for the food & drink sector. As our popular month by month guide to mergers & acquisitions reveals, the pace of deals carries on relentlessly. In this edition we continue our coverage from where we left off in our May newsletter.



Julian Wild
Food Group Director

It would be fair to say that the crisis in global debt markets has had a knock-on effect around the world and this has impacted not only on more highly leveraged transactions. But possibly of greater concern to food companies has been the dramatic rise in commodities, which has resulted in raw material costs going through the roof. Securing price increases from the major retailers or the leading food service players is never easy and food manufacturers have seen themselves caught in the middle of a

very unpleasant margin squeeze.

Against this backcloth the Competition Commission continues to dig for evidence of abuse of power in the supply chain and the recent requirement for disclosure of email records will be an interesting and demanding exercise. It remains to be seen whether this discloses the "smoking gun" the Commission has been seeking.

Rollits' Food Group has continued to be actively engaged in a wide range of food transactions over the Summer and further details of concluded deals are contained in this newsletter. We always like to emphasise that, whilst Rollits is a leading corporate and commercial law firm in the North of England, our Food Group brokers deals on both the sell and buy sides, and advises management teams on MBOs and MBIs, all over the UK and Ireland.

Rollits has strong relationships with a very broad range of leading food companies and we believe that

our knowledge of food M&A is second to none. We work extremely hard to add value for clients and to provide an exceptional service combined with the latest intelligence on food matters.

Whether you are a family business considering your exit options or a large plc seeking to divest non-core activities, Rollits provides a tailored service to execute a sale. Equally, we specialise in working both with corporate and individual clients to identify acquisition targets, usually away from an auction process, and use our knowledge of the food industry to create the right environment for a negotiated transaction. We are equally comfortable working with trade players and private equity investors.

Please do call the Rollits Food Group and ask for Julian Wild on 01482 337304 or 07850 739656. We have offices in both Hull and York, but we are always delighted to come to you.



Cranswick Mill sold to BOCM PAULS

Rollits provided legal advice to Cranswick plc on the sale of the feed milling business of Cranswick Mill, the Group's original activity.

The deal generated cash inflow from the sale and the reduction in working capital of £7m. The feed business had sales of £25m and made a small profit. It was sold to BOCM Pauls, a leading supplier of animal feed. The Rollits legal team was headed by Steve Trynka and Tom Farrington.

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CRANSWICK MILL SOLD • MONTH BY MONTH M&A GUIDE • RECENT ROLLITS FOOD SECTOR DEALS • NEWS IN BRIEF

What's been happening in the world of M&A?

We continue our month by month guide to deals in the food & drink industry. We get a lot of positive feedback and know that managers and professionals in the sector find it a useful review of the deals being done. This edition picks up from our last newsletter and covers the period from May through to September.

The tightening financial markets have seen the cost of debt going up whilst forcing business valuations down to the point where some vendors and financial buyers are calling a halt to deals in the current climate. Interestingly, however, there now appear to be opportunities for trade players at more attractive prices and this is coming through in the continuing deal-flow. But transactions seem to be taking longer to do and patience is certainly proving to be a great virtue.

May

Acquisitive Icelandic group Bakkavör, which has a major presence in the UK through its Geest subsidiary, made a move in the French prepared salads market through its purchase of **4G**, which has a turnover of 26m euro.

Tate & Lyle disclosed advanced talks with Syral, a subsidiary of France's Tereos, for the disposal of its European starch operations for around £200m.

The Canadian arm of Baxters Food Group acquired **CanGro Soup** from CanGro Foods, including the Primo and Aylmer brands and doubling the sales of Baxters Canada.

Britvic, which had itself been seen as a potential takeover target for private equity, got back on the front foot by acquiring the soft drinks and distribution businesses of **C&C Group** for £170m.

The deal brought with it Club soft drinks and Ballygowan water, as well as rights to the Pepsi and 7Up brands, and gives Britvic a leading position in the Irish soft drinks market both north and south.

The wholesale distribution sector saw further consolidation with the merger of **Booker** and **Blueheath**, a member of the Key Lekkerland buying group.

A relatively quiet month finished with a bang with the widely-anticipated sale of Indian food brand **Patak's** to Associated British Foods, owner of Blue Dragon

and ethnic supplier Westmill Foods, in a deal thought to be worth more than £100m. Patak sales in 2006 were £66m and Kirit and Meena Pathak will remain active in the business.

June

It is not very often that a business gets sold twice in as many weeks and its pension fund is a key attraction, but it happened with off-licence chain Threshers. Firstly it was sold by Terra Firma Capital Partners to a consortium led by Edmund Truell, founder of Duke Street Capital. Then, two weeks later, Vision Capital purchased a 75% stake, along with the BrightHouse domestic goods retailer, in a £265m deal. The £85m Threshers pension fund is expected to remain with Truell's Pension Insurance Corporation.

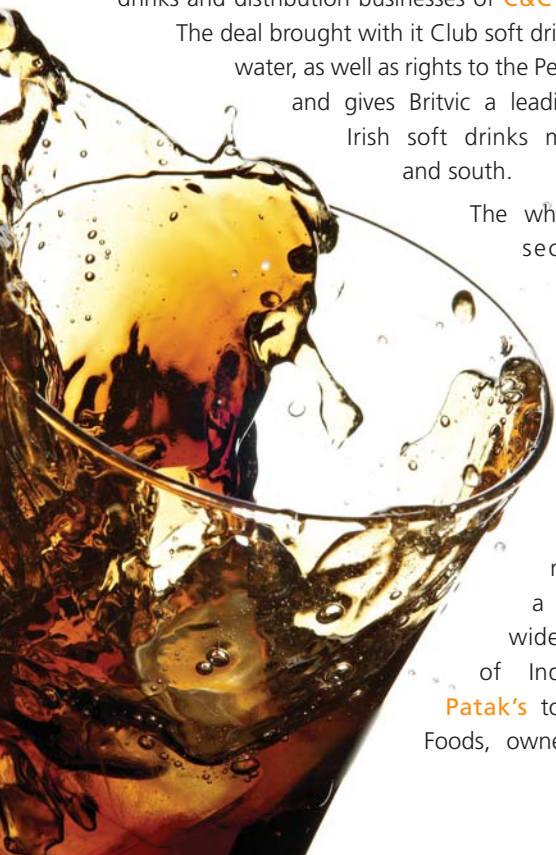
It was a busy month for Vision Capital as they got a quick return on **Smiths Flour Mills**, bought as part of the £160m bundle of businesses from Northern Foods announced last November, by selling it on again to Longmynd Industries.

Greencore moved into a category adjacent to its mainstream sandwich business by buying Liverpool-based sushi manufacturer, **Sushi San**.

Tesco heralded its entry into the garden centre market, offering interesting food potential, with an agreed offer for **Dobbies**, valuing the Scottish-based operator at £155.6m.

Cadbury Schweppes announced the sale of businesses in Australia, Canada and Italy for £45m. The Australian jams and jellies business went to Heinz for £29m, whilst the Canadian Allan Candy business went for £10m and Cadbury Italia confectionery for £6m. Soon after CS announced that it had acquired Turkish gum business **Intergum** for around £225m and then most of the Romanian **Kandia-Excelent** confectionery business from Meinel Bank. CS also put up for sale its **Monkhill Confectionery** business, which includes Butterkist popcorn.

The excellent headline 'Three Brothers sell to 2 Sisters' heralded the sale of one of Scotland's oldest and biggest poultry businesses, **Joseph Mitchell (Letham)**, by the Mitchell brothers to Ranjit



Month Guide to Mergers & A

Singh's 2 Sisters Food Group. The deal included Challenger Foods in Sunderland.

Real Good Food Company moved to reduce its debt burden by selling Grimsby-based **Five Star Fish** to British Seafood for £35m, moving the purchasers up the value chain in frozen fish.

£150m turnover fresh produce supplier **Bomfords Group** went into administration, leading to the farming business, including the pack house at Salford Priors, being sold to Sandfields Farms and the pack house at Atherstone going to the Wealmoor Group. B Prepared in Pershore was sold to Irish produce group Keelings.

German snacks producer Intersnack acquired a 15% stake in **Largo Foods**, which owns the Hunky Dorys and Tayto crisp brands, for 15 million euro. Largo Foods acquired the Tayto brand in July 2006 from C&C Group. Tayto is the leading supplier of savoury snacks and crisps in Ireland.

The month ended disappointingly for former Asda boss Archie Norman, whose Aurigo Investments missed out on food service supplier **Brake Bros**, which was sold to US private equity group Bain Capital by another private equity group, Clayton Dubilier & Rice, for £1.3bn. Bain already owns Burger King and Dunkin' Donuts.



July

Nestlé got the month off to an eye-catching start with the \$2.5bn takeover of **Novartis Medical Nutrition** to confirm the Swiss giant's position at the top of the medical foods and special nutrition market.

Kraft Foods made a binding offer to acquire the global biscuit business of **Danone**, including the LU, Tuc and Prince brands, for £3.5bn. The European Commission is due to report in October. Danone quickly put the anticipated proceeds to good use by offering £8.3bn for **Numico**, owners of baby food brand Cow & Gate.

Marston's acquired **Ringwood Brewery** for £19.2m. Ringwood was established in 1978 and its award winning beers include Ringwood Best Bitter.

The UK's largest fresh potato supplier, Greenvale AP, acquired Telford potato processor **Swancote Foods**.

Discount retailer **Kwik Save** went into administration but 56 stores were transferred to Brendan Murtagh's new Fresh Express for £18m.

Irish retailer Musgrave Group acquired Northern Ireland food wholesaler and cash-and-carry operator **J&J Haslett**, which operates over 250 Mace and XL Stop & Shop stores.

Despite delays in the sale of its US drinks operation, Cadbury Schweppes acquired the Southeast-Atlantic Beverage Corp (**Seabev**), the second largest independent bottler in the US.

For the second time this year Oakdale Bakeries (renamed **BakeSense Bakeries**), with sites in Wigan (previously Lowthers Cakes) and Doncaster, went into administration, blaming soaring commodity prices. The £18m turnover business had been bought by Wilmslow-based BakeSense in March. 200 jobs were believed to be lost.

Food entrepreneur Michael Cole, who successfully led the sale of Brambles Foods earlier this year, was back in action again with the purchase of £40m turnover specialist food distributor **Petty Wood**, owners of the Epicure brand.

The long-awaited fate of former AIM-listed cake maker **Inter Link Foods** was finally settled with its sale to Irish speciality bread producer McCambridge Group in a deal believed to be worth around £75m.

British Salt, which produces half of the UK's pure salt, was acquired from its US parent company, US Salt Holdings, for £100m with equity funding from LDC backing the management team led by MD Rob Jones.

Ever-expanding Young's Seafood fought off Continental private equity interest to acquire **The Seafood Company**, including Anchor Seafoods and Cromer Crab Company, from Fishery Products International for a price understood to be around £38.5m.

Sangs (Banff), the family owned soft drinks manufacturer based in Macduff, Aberdeenshire, has been acquired from the Donald brothers by Kenny Webster and Andy Anderson, backed by Allied Irish Bank.

Total Produce, the fruit and vegetables distributor spun off from Fyffes in 2006, bought 92% of Irish health foods distributor **Wholefoods Wholesale** with a turnover of 18m euro.

July ended on a momentous note with the official merger of Manchester-based **Co-operative Group** and Rochdale's **United Co-operatives** to form the world's largest consumer co-operative with a combined turnover of over £10bn.

August

Despite the problems elsewhere in the cake category, Dutch food ingredients business CSM spent £32.5m on shares and debt in acquiring **Kate's Cakes**, the West Sussex-based premium cake supplier to the food service and out of home markets with sales of £23m.



Acquisitions



Tony Lomax's Pentagon Foods, backed by Endless LLP, paid £5m to buy Corby-based dry ingredients blender **Phoenix Foods** from Unicheq Holdings.

Pub retailer and brewer Greene King has bought seafood restaurant chain **Loch Fyne** for £68.1m.

Canada Bread Company, owners of Maple Leaf Bakery UK, bought craft bread baker **La Fornaia** for £18.8m. La Fornaia has sales of £23m and operates from Park Royal, supplying major retailers and foodservice.

Belgium food group Pinguin NV agreed to pay £17.2m for

Christian Salvesen Foods, a private label frozen vegetable business with a turnover of £45m and three sites in Lincolnshire.

Fast-growing sausage manufacturer Tranfield Group added Enfield-based **Snowbird Foods** to its stable of businesses.

Another acquisitive food group, Icelandic Bakkavör, bought Lincolnshire fresh produce business **Exotic Farm Produce**. MD John Dutton will stay with the new owners.

AIM-listed ice cream manufacturer Hill Station successfully concluded a £3.3m share placing, partly to fund its acquisition of **The So Real Ice Company**, an own label organic ice cream supplier to the major multiples, for £0.6m.

Glendale Frozen Foods in Pendleton, Manchester has merged with frozen sausage producer Supreme Foods to create a £10m turnover operation renamed **Glendale Foods**, including the newly acquired **Great British Pudding Company**.

Campbell Soup Company generated much industry interest by announcing the possible sale of its **Godiva Chocolatier** business with sales of around \$500m. Swiss confectionery company Lindt is reported to be a contender.

September

The **Oscar Mayer** ready meals group, with sites in Chard, Wrexham and Erith, is in talks with Icelandic public company Alfesca, a major player in chilled convenience foods which owns Lyons Seafoods and Farne smoked salmon. The consideration is believed to be in line with Oscar Mayer's sales of over £100m.

Glisten announced two deals in one day with its acquisition of speciality nut company **Dormen Foods** from its founders for £7.5m, but with the potential to reach £12m. Glisten has also announced a 50:50 JV with 'lite' confectionery supplier **Skinny Candy**.

Irish dairy and food ingredients group Glanbia has bought Canadian nutritional ingredients maker **Pizzeys Milling** with gross assets of just under 7m euro. Pizzeys produce premium flaxseed, a source of Omega-3 fatty acids.

Bibby Line has taken a controlling 51% stake in **Costcutter** and raised the possibility of a merger between Costcutter and Nisa-Today's, for whom Bibby Distribution has handled distribution for over 20 years.

Premier Foods made the first move in its planned **RHM Frozen Foods** disposals by announcing a deal with Kerry's Rye Valley Foods, which has bought the Bisto and Sharwood's frozen ready meals business for £1.1m. RHM Frozen Desserts has gone to Country Style Foods.

Associated British Foods has acquired from the founding family a 20% stake in breakfast cereals and cereal bar manufacturer **Jordans**, which has three manufacturing sites, headquarters in Biggleswade and sales of over £80m.

David Salkeld, the former CEO of Grampian Country Food Group, has led an MBI at Leeds-based **Symington's** (formerly Brand Partnership), which produces the Ainsley Harriott range of dry grocery products, in a deal believed to be worth around £46m. The new management has been backed by Hermes Private Equity.

Fresh produce distributor Poupart is buying cherry importer **Norton Folgate** based in Spalding.

Following on from the sale of Whitworths and Wimpey Restaurants, where he was also Chairman, Ian Woodhead has made it a hat-trick with the sale of Midlands cake and desserts manufacturer **Elisabeth the Chef** to Senoble, a leading supplier of private label dairy products in France, Spain and Slovakia.

The sale of the **Pret A Manger** sandwich chain appears to be reaching a conclusion with offers rumoured to be around £400m and bidders including Bridgepoint Capital and the FL Group.



News in Brief

Rollits backs new Food Innovation and Technology Centre

The Hull Food Alliance has been working closely with Hull City Council to create a new £4m food park for up and coming entrepreneurs at Malmo Park in Hull.

The £4m centre aims to put Hull and East Yorkshire's food industry squarely on the map for supporting fledgling businesses with managed office and production space, an on-site development kitchen and expert advice.

Malmo Park is supported by the Council and Yorkshire Forward and offers ten high specification business start-up units as well as training programmes.

Rollits' Food Group Director, Julian Wild, is a board member of the Hull Food Alliance and is pictured here with Phil Whitfield, Managing Director of Humdinger Foods, and John Los, Chairman of the Hull Food Alliance.



Wake Up To Money with Julian Wild!

Perhaps only insomniacs and the very keenest business brains tune in to Radio 5 Live's award-winning 'Wake Up To Money' financial programme at 5.30am.

Whilst you might be forgiven for turning over and getting another hour's sleep, anyone listening on 19 June will have heard Rollits' Food Group Director Julian Wild anticipating major job

cuts at food & drinks giant Cadbury Schweppes. Later that morning CS announced plans to cut 7,500 jobs by 2011 as part of a company-wide cost reduction plan.

Julian Wild shared the early morning platform with Chris Marshall, Chairman of Tangerine Confectionery.

Rollits sponsoring Deliciously Yorkshire Food Awards

Rollits is again sponsoring one of the awards at the third annual Deliciously Yorkshire Awards Dinner at the historic Merchant Adventurers Hall in York on 1 November. This year Rollits is supporting 'The Most Innovative Company' award. The event celebrates the best in food and drink in the Yorkshire & Humber region.

The Rollits Food Group – our team

Julian Wild

Food Group Director

Neil Jenneson

Corporate Finance Director

Steve Trynka

Partner, Corporate

Nasim Sharf

Partner, Corporate

Shona Unwin

Solicitor, Corporate

George Coyle

Partner, Commercial Dispute Resolution and Regulatory Law

Chris Platts

Partner, Personal Injury and Health & Safety

Keith Benton

Partner, Intellectual Property

Neil Franklin

Partner, Commercial Property and Agriculture

John Flanagan

Solicitor, Company Formations and Company Secretarial

What's in the news?

Shepherd's Purse Cheeses of Thirsk has lost its long battle with the EU over using the name 'feta', which can now only be applied in certain areas of Greece. Owner Judy Bell has renamed her cheese 'Fine Fettle Yorkshire Cheese'.

Associated British Foods is to build a £200m biofuel plant in Hull in conjunction with BP and DuPont. The plant will produce bioethanol and should be completed by late 2009. The JV is a major boost for ABF's sugar and agri businesses.

Premier Foods, the UK's largest food company, announced the closure of six factories by early 2009 following a review of its ambient operations and RHM's culinary brands and preserves factories. RHM was taken over in a deal announced last December.

Unilever announced a "drastic simplification" of its UK operations by reducing its five divisions to just two: foods & ice cream, including Flora and Wall's, and home & personal care products. In total 350 jobs will go by 2008. Unilever is also planning to sell its French soft cheese brand Boursin.

The Office of Fair Trading has provisionally found that a number of the leading UK supermarkets and dairy companies colluded to increase the prices of dairy products.

Recent Rollits Food Sector Deals

Rollits' Food Group advises Croda International on food services sale

Rollits advised Croda International Plc on the sale of Oldham-based Croda Food Services to specialist vegetable oil group AarhusKarlshamn UK for £7.4m.

CFS is a specialist supplier of products and services to the baking industry, including release agents and divider oils together with bespoke delivery systems. AAK UK operates one of the country's largest vegetable oil refineries in Hull.

The Rollits Food Group, headed by Julian Wild, Food Group Director, was responsible for negotiating the sale of the CFS business to AAK UK. Julian was supported by a multidisciplinary legal team from Rollits led by Senior Partner Steve Trynka.

Julian Wild said: "We very much enjoyed working both with the senior personnel at Croda International's Head Office at East Cowick and with the management of Croda Food Services. We were pleased to be able to combine a range of our practice areas to see the transaction through to its successful conclusion."



Cooplands of Scarborough acquires Skeltons Rollits advises on deal which safeguards 500 jobs

Baker Cooplands of Scarborough has bought Hull-based Skeltons out of administration in a deal which has saved more than 500 jobs. The takeover will see Cooplands, a family-owned firm, increase its estate from 43 to 77 shops and makes it the UK's fourth-largest bakery chain.

The deal included 34 of Skeltons' 43 shops as well as the Skeltons bakery in Hull, which is now set for a major investment programme. The shops are set to be refurbished and re-branded as Cooplands. Paul Cooplund, Managing Director of Cooplands, said: "By taking over Skeltons we have saved 500 jobs, boosting our workforce to 1,100. The new business will complement Cooplands' existing bakery in Scarborough and shops around the north-east. We are extremely pleased to have secured this deal,

helping make us the largest independent bakery chain in the north of England."

Cooplands was advised on the deal by Rollits, led by Managing Partner Richard Field and including Neil Jenneson, Rollits' Corporate Finance Director. Richard Field said: "We worked closely with the Cooplands management team to deliver a successful takeover. The Rollits team provided corporate finance advice on the deal and legal advice on the sale process and the company's commercial property estate."

Denby Dale Pie company raises £250,000 in funding

The Denby Dale Pie Company is expanding its production facilities following several new business wins with some of the UK's largest retailers.

The company has successfully raised £250,000 from Partnership Investment Finance (PIF) and the Yorkshire and Humber Equity Fund (YHEF) to invest in new plant and machinery as the company continues to win new contracts for its range of traditional pies.

Rollits advised PIF and YHEF on the deal and this was the first time that Rollits and PIF had worked on a transaction together since the launch of the £15m YFM Food Fund. Rollits' legal work was undertaken by Shona Unwin and John Flanagan within the firm's corporate team, working closely with Andy Wright, Investment Manager at PIF, a £37m investment fund aimed at supporting growing businesses in Yorkshire and Humber.

INFORMATION

If you have any queries on any articles in this newsletter or other food law matters generally please contact:

Julian Wild on 01482 337304 (email: julian.wild@rollits.com)

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, Wilberforce Court, High Street, Hull, HU1 1YJ.

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Wilberforce Court, High Street, Hull HU1 1YJ
Rowntree Wharf, Navigation Road, York YO1 9WE

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