

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your NBF Shares, please forward this document, together with the Form of Acceptance and the reply-paid envelope, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. **However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia, Republic of Ireland or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.**

**This document should be read in conjunction with the accompanying Form of Acceptance.**

If you are a CREST sponsored member, you should refer to your CREST sponsor before completing the accompanying form of Acceptance, as only your CREST sponsor will be able to send the necessary TTE instructions to CRESTCo.

Numis, which is regulated in the United Kingdom by the Financial Services Authority, is acting for RGFC and for no-one else in connection with the Offer and will not be responsible to anyone other than RGFC for providing the protections afforded to clients of Numis nor for providing advice in relation to the Offer or any matter referred to herein.

John East & Partners, which is authorised and regulated in the UK by the Financial Services Authority, is acting for NBF and no-one else in connection with the Offer and will not be responsible to anyone other than NBF for providing the protections afforded to customers of John East & Partners, nor for providing advice in relation to the Offer or any matter referred to herein.

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## RECOMMENDED OFFER

by

# NUMIS SECURITIES LIMITED

on behalf of

**The Real Good Food Company plc**  
to acquire the whole of the issued and to be issued share capital of

**Napier Brown Foods plc**

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**Your attention is drawn to the letter from the Chairman of NBF, set out in Part I of this document, which includes the NBF Independent Directors' recommendation that you accept the Offer.**

**To accept the Offer, the Form of Acceptance must be completed, signed and returned as soon as possible in accordance with the instructions printed thereon, whether or not your NBF Shares are held in CREST, and, in any event, so as to be received by post or (during your normal business hours only) by hand to Capita Registrars Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, so as to be received no later than 1.00 p.m. on 30 August 2005. The procedure for acceptance of the Offer is set out in paragraph 18 of Part II of this document and in the accompanying Form of Acceptance. A reply-paid envelope for use within the UK is enclosed for your convenience.**

The Offer referred to in this document is not being, and will not be, made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone or e-mail) of interstate or foreign commerce of, or by any facilities of a national securities exchange of, the United States, Canada, Australia, Republic of Ireland or Japan and cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia, Republic of Ireland or Japan. Accordingly, copies of this document and the Form of Acceptance and any other documents related to the Offer are not being, and must not be, mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Republic of Ireland or Japan.

The availability of the Offer to NBF Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. NBF Shareholders who are not so resident should inform themselves about and observe such applicable requirements. Further information for Overseas Shareholders is set out in paragraph 6 of Part 2 of Appendix 1 to this document. All NBF Shareholders (including, without limitation, any nominee, trustee or custodian) who would, or otherwise intend to, or who may have a contractual or legal obligation to, forward this document and/or the accompanying Form of Acceptance to any jurisdiction outside the United Kingdom should read that paragraph before taking any action.

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**You are advised to read this document carefully. If you have any queries please contact Capita Registrars shareholders' helpline on 0870 162 3121 or, if calling from abroad, +44 208 639 2157. This helpline is available from 9.00 a.m. to 5.00 p.m. Monday to Friday.**

**Note: This helpline will only provide information contained in this document and is not able to advise on the merits of the proposals or give legal, financial or taxation advice.**

## Definitions

The following definitions apply throughout this document and in the Form of Acceptance, unless the context requires otherwise:

“Accepting NBF Shareholders”	NBF Shareholders who validly accept the Offer
“ACP”	the African, Caribbean, Pacific Agreement under which European Union member states agree to buy sugar which the African, Caribbean and Pacific signatory states agree to sell, in agreed quantities and at agreed prices
“Acquisition”	the acquisition of all or part of the issued or to be issued ordinary share capital of NBF by RGFC by means of the Offer
“Act” or “Companies Act”	the Companies Act 1985 (as amended)
“Admission”	the Admission of the Enlarged Issued Share Capital to trading on AIM in accordance with the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies as published by the London Stock Exchange
“Australia”	the Commonwealth of Australia, its states, territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof
“Board” or “Directors”	the directors of the Company whose names are set out on page 9 of this document
“Cakes.co.uk”	Cakes.co.uk Limited, a company incorporated in England and Wales with registered number 4350726
“Canada”	Canada, its provinces, possessions and all areas subject to its jurisdiction and any political sub-division thereof
“Capita Registrars”	a trading division of Capita IRG Plc (registered in England and Wales with company number 2605568)
“CFD”	Cool Fresh Distribution Limited, a company incorporated in England and Wales with registered number 3015300
“City Code” or “Code”	the City Code on Takeovers and Mergers
“Closing Price”	the closing middle market quotation of a NBF Share or a RGFC Share (as the case may be), as derived from the London Stock Exchange’s website
“Combined Code”	the Principles of Good Governance and Code of Best Practice published by the committee on Corporate Governance chaired by Sir Ronald Hampel in June 1998 and revised in July 2003
“Completion”	the Offer becoming or being declared unconditional in all respects
“the Company” or “RGFC ”	The Real Good Food Company plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST regulations)
“CRESTCo”	CRESTCo Limited, the operator of CREST

“CREST member”	a person who had been admitted by CRESTCo as a system-member (as defined in the CREST regulations)
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST regulations)
“CREST personal member”	a CREST member admitted to CREST as a personal member
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member under the sponsorship of a CREST sponsor
“Dealing Day”	a day on which the London Stock Exchange is open for business in the trading of securities
“EGM Notice”	the notice of Extraordinary General Meeting of the Company annexed to the Prospectus
“EGM Resolutions”	the resolutions set out in the EGM Notice
“Enlarged Group”	the Company together with its subsidiary undertakings (following Completion of the Offer)
“Enlarged Issued Share Capital”	the Ordinary Shares in issue at Admission and following the Acquisition and Offer for Subscription
“Escrow Agent”	Capita Registrars in its capacity as escrow agent (as described in the CREST manual issued by CRESTCo)
“Eurofoods”	Eurofoods plc, a company incorporated in England and Wales with registered number 2060981
“Existing Ordinary Shares”	the 14,093,467 Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on 30 August 2005 and any adjournment thereof, notice of which is set out at the end of this Prospectus
“Family”	in relation to any person his or her spouse and any child where such child is under the age of eighteen years including any trust in which such individuals are trustees or beneficiaries and any company over which they have control or more than 20 per cent. of its equity or voting rights (excluding treasury shares) in a general meeting. It excludes any employee share or pension scheme where such individuals are beneficiaries rather than trustees
“First Closing Date”	30 August 2005
“Five Star”	Five Star Fish Limited, a company incorporated in England and Wales with registered number 1940180
“Five Star Agreement”	the agreement dated 19 April 2004 between the then members of Five Star and the Company for the sale and purchase of the entire issued share capital of Five Star
“Five Star Group”	Five Star and its subsidiary undertakings
“Five Star Option”	an option over Ordinary Shares granted pursuant to the Five Star Option Plan

“Five Star Option Plan”	the RGFC non-approved share option plan, details of which are set out in paragraph 4 of Part XI of this document
“Form of Acceptance”	the form of acceptance and authority for use in connection with the Offer accompanying this document
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“Garrett”	Garrett Ingredients Limited, a company incorporated in England and Wales with registered number 2156440
“Group” or “RGFC Group”	RGFC and its subsidiary undertakings
“Haydens”	Hayden’s Bakeries Limited, a company incorporated in England and Wales with registered number 2227263
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“James Budgett”	James Budgett Sugars Limited, a company incorporated in England and Wales with registered number 01472422
“Japan”	Japan, its cities, prefectures, territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof
“John East & Partners”	John East & Partners Limited
“London Stock Exchange”	London Stock Exchange plc
“member account ID”	the identification code or number attached to any member account in CREST
“Menton”	Menton Investments Limited
“Napier Brown & Company”	Napier Brown & Company Limited, a company incorporated in England and Wales with registered number 1665672
“NBF”	Napier Brown Foods Plc, a company incorporated in England and Wales with registered number 4824736
“NBF Board” or “NBF Directors”	the directors of NBF
“NBF CSOP”	the approved share option plan adopted by NBF
“NBF Group”	NBF, its subsidiaries and its subsidiary undertakings
“NBF Independent Directors”	Jeremy Hamer, Christopher Thomas and Simon Barrell
“NBF Non-Approved Plan”	the non-approved share option plan adopted by NBF
“NBF Share Option Scheme”	the NBF Non-Approved Plan, NBF CSOP and the NBF SIP
“NBF Shareholders”	holders of NBF Shares
“NBF Shares”	the existing unconditionally allotted or issued and fully paid ordinary shares of 50p each in the capital of NBF and any further shares which are issued or unconditionally allotted and fully paid (or credited as fully paid) while the Offer remains open for acceptance (or such earlier date, nor being earlier than the date on which the Offer becomes unconditional as to acceptances or, if later, the First Closing Date, as RGFC may, subject to the City Code,

	decide), including NBF Shares which are unconditionally allotted or issued or granted or subscribed for upon the exercise of any options granted under the NBF CSOP, the NBF SIP, the NBF Non-Approved Plan or the NBF Warrants
“NBF Share Option Plans”	the approved and the non-approved share option plans adopted by NBF in 2003
“NBF SIP”	the approved share incentive plan adopted by NBF
“NBF Warrants”	the warrants entitling the registered holder to subscribe for NBF Shares
“NB. Ingredients”	NB. Ingredients Limited, a company incorporated in England and Wales with registered number 3180749
“New Credit Agreement”	a new facilities agreement entered into by the Company and, <i>inter alia</i> , Royal Bank of Scotland plc and Rabobank International (as arrangers) on 26 July 2005 for, in aggregate, facilities of up to £69,500,000 for the Enlarged Group
“New RGFC Shares”	up to 49,995,405 new RGFC Shares to be issued pursuant to the Offer (assuming full exercise of the NBF options and warrants and full acceptance of the Offer)
“Non-approved Plan”	the RGFC Non-approved Plan (Individual) and/or RGFC Non-approved Plan (Corporate), details of which are set out in paragraph 4 of Part XI of this document
“Numis”	Numis Securities Limited, a company incorporated in England and Wales with registered number 22585918
“Offer”	the recommended all share offer to be made by Numis Securities Limited on behalf of RGFC to acquire all of the NBF Shares on the terms and subject to the conditions to be set out in this document and in the Form of Acceptance and, where the context requires, any subsequent revision, variation, extension or renewal thereof
“Offer Document”	the accompanying document comprising the letter of recommendation from the NBF Independent Directors and the letter from Numis, each relating to the Offers
“Offer for Subscription”	the conditional offer for subscription for the Subscription Shares each at the Subscription Price
“Offer Period”	the period commencing on 8 March 2005 (the date upon which NBF announced it was in discussions concerning a possible offer), and ending on the date which is the latest of (i) the First Closing Date; (ii) the Wholly Unconditional Date; and (iii) the date on which the Offer lapses or is withdrawn
“Offer Shares”	the new Ordinary Shares of 2p each in the capital of RGFC to be issued as consideration under the Offer
“Ordinary Shares” or “RGFC Shares”	ordinary shares of 2 pence each in the capital of the Company
“Overseas Shareholders”	NBF Shareholders whose registered addresses are outside the UK or who are citizens, residents or nationals of countries other than the UK or who are nominees of, or trustees for, citizens, residents or nationals in countries other than the UK

“Panel”	the Panel on Takeovers and Mergers
“Proposals”	the Offer, the Admission and the Offer for Subscription
“Proposed Directors”	Patrick Ridgwell and Christopher Thomas being the persons proposed to be appointed to the board of directors of RGFC upon the Offer becoming or being declared unconditional in all respects
“Prospectus”	the accompanying document comprising the Prospectus dated 5 August 2005 relating to the Enlarged Issued Share Capital for which application for Admission will be made
“PR”	the sourcebook containing the Prospectus Rules
“Rabobank International”	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch
“Receiving Agent”	Capita Registrars, the receiving agent to the Offer
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Regulatory Information Service”	a service approved by the London Stock Exchange for the distribution to the public of AIM announcements and included within the list maintained on the Exchange’s website, <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a>
“Renshaw Scott”	the acquired trade and certain assets of Renshaw Scott Limited
“Republic of Ireland”	Republic of Ireland, its territories and possessions
“Resolutions”	the EGM Resolutions
“Restricted Jurisdiction”	any US Restricted Jurisdiction, Australia, Canada, Republic of Ireland or Japan or any jurisdiction where extension or acceptance of the Offer would violate the law of that jurisdiction
“RGFC Plc Board” or “RGFC Directors”	the directors of RGFC
“RNS”	the Regulatory Information Service operated by the London Stock Exchange
“Securities Act”	the United States Securities Act of 1933, as amended
“Sefcol”	Sefcol Ingredients Limited, a company incorporated in England and Wales with registered number 510669
“Shareholders”	the holders of Existing Ordinary Shares
“significant interest”	a direct or indirect interest in 20 per cent. or more of the total voting rights conferred by the equity capital of an undertaking
“Subscription Price”	121.95 pence per Subscription Share
“Subscription Shares”	up to 4,162,558 RGFC shares proposed to be issued fully paid in connection with the Offer for Subscription
“TFE”	a transfer from escrow (as defined by the CREST manual used by CRESTCo)

“Tom Darwood”	Tom Darwood Limited, a company incorporated in England and Wales with registered number 1804421
“TTE”	a transfer to escrow (as defined by the CREST manual used by CRESTCo)
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA, acting in its capacity as a competent authority for the purposes of Part VI of the FSMA
“Uncertificated” or “in Uncertificated Form”	means recorded on the register of members of NBF as being held in uncertificated form
“Unconditional Date”	the date on which the Offer becomes or is declared unconditional as to acceptances
“United States” or “USA”	the United States of America, its territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof, any state of the United States of America and the District of Columbia
“Upper Crust”	Upper Crust Products Limited, a company incorporated in England and Wales with registered number 0338314
“Waiver”	the waiver by the Panel of the obligation of the Concert Party to make a general offer under Rule 9 of the City Code
“Warrants”	warrants entitling the registered holder to subscribe for Ordinary Shares at 100 pence per share, the terms of which are summarised in paragraph 6.6 of Appendix III of this document
“Wholly Unconditional Date”	the date on which the Offer becomes or is declared unconditional in all respects
“Wider RGFC Group”	RGFC Group, its subsidiaries and its subsidiary undertakings, associated undertakings and any other undertakings, in which RGFC Group and/or such undertakings (aggregating their interests), have a significant interest
“Wider NBF Group”	NBF Group, its subsidiaries and its subsidiary undertakings, associated undertakings and any other undertakings, in which NBF Group and/or such undertakings (aggregating their interests), have a significant interest

**All references to legislation in this document are to English legislation unless the contrary is indicated.**

**Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.**

**Any reference to any provision of any legislation shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.**



## Part I

### Letter of recommendation from the Napier Brown Foods Plc's Independent Directors

#### Napier Brown Foods Plc

(Incorporated in England and Wales: Registered No. 4824736)

*Directors:*

P G Ridgwell (*Non-executive Chairman*)

A P Ridgwell (*Non-executive Director*)

*NBF Independent Directors:*

J J Hamer (*Non-Executive Director*)

C O Thomas (*Chief Executive*)

S G Barrell (*Finance Director*)

*Registered Office:*

International House

1 St Katharine's Way

London

E1W 1XB

5 August 2005

*To the holders of NBF Shares and, for information purposes only, to the holders of options and warrants to subscribe for NBF Shares, and to holders of RGFC Shares.*

Dear Shareholder,

**Recommended all Share Offer by Numis Securities Limited on behalf of The Real Good Food  
Company Plc for Napier Brown Foods Plc**

#### 1. Introduction

On 27 July, 2005, the boards of NBF and RGFC announced the terms of a recommended offer, to be made by Numis on behalf of RGFC, for the whole of the issued and to be issued ordinary share capital of NBF.

NBF was admitted to AIM in December 2003 as the holding company for Napier Brown & Company, Garrett and Sefcol. These companies were acquired from NB. Ingredients, of which Mr Patrick Ridgwell and Mr Anthony Ridgwell are directors. The ultimate beneficial owners of NB. Ingredients are Mr Patrick Ridgwell, Mr Anthony Ridgwell, a Ridgwell family Trust, of which Mr Anthony Ridgwell and his family are the main beneficiaries and a charitable trust of which Mr Patrick Ridgwell is a trustee. NB. Ingredients holds 48.27 per cent. of the issued shared capital of NBF and also holds £9.3 million of NBF loan notes. These loan notes were issued to NB. Ingredients at the time of the acquisition of the three companies referred to above, as part of the deferred consideration payable to NB. Ingredients. These loan notes were due to have been redeemed by NBF as to £6.5 million on 31st December 2005 and £2.8 million on 31st December 2006. RGFC has agreed to take an assignment of the loan notes plus interest as provided therein under the terms of an assignment agreement entered into between NB. Ingredients and RGFC (the "Loan Note Assignment"). Under the terms of the Loan Note Assignment, £6.5 million will be paid to NB. Ingredients as soon as practicable following the Offer becoming or being declared unconditional in all respects and the balance together with interest in tranches of at least £250,000 out of the proceeds of any equity fundraising or from the proceeds of exercise of options or warrants under the NBF Share Option Schemes or on 31 December 2006, if earlier. Accordingly, Patrick Ridgwell and Anthony Ridgwell have not taken part in the deliberations of the Board of NBF when considering the Offer.

This letter sets out the background to the Offer, the reasons why the NBF Independent Directors consider the terms of the Offer to be fair and reasonable and their unanimous recommendation that NBF Shareholders accept the Offer as they have irrevocably undertaken so to do in respect of their own NBF Shares (representing approximately 0.74 per cent. of the issued share capital of NBF).

The terms of the formal Offer are set out in full in the letter from Numis on pages 14 to 30 of this document. Further details of the Offer and the actions you should take to accept it, are set out in that letter, Appendix I to this document and the accompanying Form of Acceptance.

## **2. Terms of the Offer**

You will find set out on pages 14 to 30 of this document a letter from Numis, financial advisers to RGFC, containing the Offer on behalf of RGFC to acquire your shares on the following basis:

### **for every NBF Share held 1.6236 new RGFC Shares**

The offer values each NBF Share at 220 pence, based on the Closing Price of 135.5 pence per RGFC Share on 26 July 2005 (the last dealing date prior to the announcement of the Offer) and values the whole of NBF's existing issued share capital (allowing for exercise of the NBF options and warrants) at approximately £67.74 million.

On the same basis, the Offer represents:

- a premium of approximately 22.22 per cent. to the Closing Price of 180 pence per NBF Share on 7 March 2005 (the last dealing day before NBF's announcement that it was in talks regarding a possible offer for NBF);
- a premium of approximately 26.44 per cent. to the Closing Price of 174 pence per NBF Share on 17 June 2005 (the last dealing day prior to the date on which RGFC announced that it was in discussions with NBF concerning a potential offer for NBF);
- a premium of approximately 20.54 per cent. to the Closing Price of 182.5 pence per NBF Share on 26 July 2005 (the last closing date prior to the date the boards of NBF and RGFC announced the terms of the Offer); and
- a share price level in excess of any Closing price per NBF Share since it joined AIM on 18 December 2003.

Based on the Closing Price of 117.5 pence per RGFC Share on 4 August 2005 (the last dealing day prior to the date of this document), the Offer values each NBF Share at approximately 191 pence. This represents a premium of approximately 6 per cent, to the Closing Price of 180 pence per NBF Share on 7 March 2005 (the last dealing day prior to the commencement of the Offer Period).

Further details of the offer are set out in Part II of this document.

## **3. Background to the Offer**

In NBF's prospectus of 16 December, 2003, issued in connection with its admission to AIM, the NBF Board set out its strategy. This had three main aspirations. They were to integrate and consolidate Napier Brown & Company, Garrett Ingredients and Sefcol, the three trading companies acquired by NBF on admission, to seek to acquire, over the short to medium term, complementary companies manufacturing similar products or serving the group's existing customers and in the medium to longer term, to seek to diversify into other growth areas in the food industry, away from its traditional product base.

The integration and consolidation of the three trading companies was completed by April 2004 and two complementary businesses were acquired, the trade and certain assets of Renshaw Scott Limited in September 2004 for £18.5 million and James Budget Sugars in July 2004 (in respect of which Competition Commission clearance was received on 15 March 2005) for £17.5 million.

Acceptance of the Offer will allow Shareholders to continue to have an investment in a more broadly diversified food group as foreshadowed in NBF's December 2004 prospectus. If the Offer by RGFC becomes or is declared unconditional in all respects, this will create a diversified food group encompassing:

### ***NBF***

- the supply of sugar, dairy powders and other food ingredients to industrial, retail and catering sectors within the UK; and

- the manufacture of retail and industrial marzipans, ready to roll icings, baking chocolate, nut products and jam and supply to the multiple retailers, major cake manufacturers and high street bakers and the sugar cane trade.

### **RGFC**

- fish processing and supply to foodservice customers;
- the manufacture and supply of chilled and ambient cakes to multiple retailers; and
- the manufacture and supply of cake and individual portion bakery products.

The combination of RGFC and NBF will enable the NBF Board to fulfill its medium to longer term strategy, set out above, which was to seek some diversification from the current activities undertaken by NBF.

NBF's balance sheet gearing, as reported in its audited preliminary results for the 53 week period ended 3 April 2005, was 168 per cent., an above average ratio for a trading company. If the Offer becomes unconditional in all respects, the Enlarged Group will have balance sheet gearing of less than 100 per cent. Your independent directors consider this to be a more comfortable level of gearing, which would have taken some time for NBF to achieve through its trading activities.

Acceptance of the Offer will mean NBF Shareholders will receive New RGFC Shares for their entire holding. Under these arrangements, NBF shareholders will hold approximately 73 per cent. (allowing for exercise of the NBF Options and NBF Warrants) of a more widely diversified and less highly geared foods group.

To ensure continuity in the management of the NBF business, Patrick Ridgwell, chairman, and Christopher Thomas, chief executive, will join the Enlarged Group board as non-executive deputy chairman and non-executive director, respectively.

Your board believes that NBF's future growth prospects will be enhanced by being part of a larger group with diversified operating activities and lower levels of balance sheet gearing, and that the terms of the Offer provide you with an opportunity to participate in this growth.

#### **4. Inducement fee**

At the start of RGFC's negotiations with NBF regarding a possible offer for NBF, RGFC agreed to pay NBF an inducement fee of £200,000 in the event of the proposed offer lapsing or being withdrawn or not being financed, made or declared unconditional by a specified date, or if the RGFC Board did not recommend RGFC Shareholders to vote in favour of the proposed offer. The date originally specified has now passed and although it has not formally waived its rights, NBF has not sought to recover payment and it is expected that the inducement fee will not be payable if the Offer (as referred to in this announcement) is declared unconditional in all respects.

#### **5. Information on RGFC, NBF and Current Trading and Prospects**

Your attention is drawn to paragraphs 6,7, and 8 of the letter from Numis set out in Part II of this document as well as Appendices II and III in relation to information on RGFC, NBF and the current trading and prospects of RGFC and NBF.

#### **6. Irrevocable undertakings**

RGFC has received irrevocable undertakings from Patrick Ridgwell, non-executive Chairman, and NB. Ingredients, a company in which Patrick Ridgwell and Anthony Ridgwell are interested, to accept, or to procure the acceptance of, the Offer in respect of their aggregate beneficial holdings of 13,736,361 NBF Shares representing, in aggregate, approximately 48.62 per cent. of the existing issued share capital of NBF. Such undertakings will cease to be binding only if the Offer lapses or is withdrawn.

RGFC has also received irrevocable undertakings from the NBF Independent Directors to accept, or to procure the acceptance of, the Offer in respect of their aggregate beneficial holdings of 209,092 NBF Shares representing, in aggregate, approximately 0.74 per cent. of the existing issued share capital of NBF. Such undertakings will cease in the event of the announcement of a higher competing offer or if the Offer lapses or is withdrawn.

Furthermore, Agman Holdings Limited have given an irrevocable undertaking to accept the Offer in respect of their entire beneficial holding of 2,790,697 NBF Shares, representing 9.88 per cent. of the issued share capital of NBF. Such undertaking will cease in the event of a higher competing offer, or if the Offer lapses or is withdrawn.

In addition, RGFC has also received irrevocable undertakings to accept the Offer from certain other shareholders (details of which are set out in Part 2) in respect of their entire holdings of, in aggregate, 4,161,230 NBF Shares, representing approximately 14.73 per cent. of NBF's existing issued ordinary share capital. Such undertakings will cease to be binding only if the Offer lapses or is withdrawn.

In aggregate, RGFC has received irrevocable undertakings to accept the Offer in respect of 20,897,380 NBF Shares, representing approximately 73.97 per cent. of NBF's existing issued ordinary share capital.

## **7. Directors and Employees**

RGFC has given assurances to the NBF Board that, upon the Offer becoming or being declared unconditional in all respects, the existing employment rights, including pension rights, of the management and employees of NBF will be fully safeguarded.

As referred to above, Patrick Ridgwell and Christopher Thomas will join the board of the Enlarged Group as non-executive deputy chairman and non-executive director, respectively.

## **8. Continuation of listing of NBF**

If acceptances are received under the Offer in respect of 90 per cent. or more of the NBF Shares to which the Offer relates, RGFC intends to exercise its rights pursuant to the provisions of sections 428 to 430F of the Act to acquire compulsorily the remaining NBF Shares. In the event that the Offer is declared or becomes wholly unconditional and subject to any applicable requirements of the London Stock Exchange, RGFC intends to procure that NBF applies to the London Stock Exchange for the cancellation of the admission of the NBF Shares to trading on AIM.

## **9. NBF Share Option Schemes**

The Offer extends to any NBF Shares issued or unconditionally allotted and fully paid (or credited as fully paid) whilst the Offer remains open for acceptance (or such earlier date as RGFC may, subject to the City Code, decide), including those unconditionally allotted or issued and fully paid, or credited as fully paid, pursuant to the exercise of options (whether or not granted) under the NBF Share Option Schemes.

The Offer extends to any NBF Shares issued or unconditionally allotted and fully paid whilst the Offer remains open for acceptance (or such earlier date as RGFC may, subject to the City Code, decide), including those unconditionally allotted or issued and fully paid, or credited as fully paid, pursuant to the exercise of warrants.

Once the Offer becomes or is declared unconditional in all respects, it is intended that appropriate proposals will be made to the holders of options under the NBF Share Option Schemes, save where the exercise price of any option which remains unexercised is above the value of the Offer Price.

## **10. Loan Note Arrangements**

As part of the acquisition of Napier Brown & Company, Garrett and Sefcol by NBF at the time of its admission to AIM in December 2003, NBF agreed to pay the vendors of the three businesses, NB. Ingredients, deferred consideration of £15.8 million. The deferred consideration was satisfied by the issue of three loan notes as follows:

- £6.5 million redeemable on 31 December 2004 (which has been redeemed);
- £6.5 million redeemable on 31 December 2005;
- £2.8 million redeemable on 31 December 2006.

In certain circumstances, the outstanding loan notes are capable of being converted into NBF Shares.

RGFC has entered into the Loan Note Assignment whereby £6.5 million will be paid to NB. Ingredients as soon as practicable following the Offer becoming or being declared unconditional in all respects and the balance together with interest in tranches of at least £250,000 out of the proceeds of any equity fundraising or from the proceeds of exercise of options or warrants under the NBF Share Option Schemes or on 31 December 2006, if earlier.

As the redemption of the December 2005 loan notes will be, and the repayment of the December 2006 loan notes may be, in advance of the scheduled redemption dates and the loan notes are held by NB. Ingredients, a company which is controlled by Napier Brown Holdings Limited, a company controlled by interests of the Ridgwell family and of which, Patrick Ridgwell and Anthony Ridgwell are both directors, these arrangements are deemed to be a special arrangement under the City Code.

John East & Partners has advised the NBF Independent Directors that the terms of the early redemption of the December 2005 and 2006 loan notes are fair and reasonable in so far as other NBF Shareholders are concerned. In providing its advice to the NBF Independent Directors, John East & Partners has taken account of their commercial assessments.

### **11. United Kingdom taxation**

Your attention is drawn to paragraph 17 headed “United Kingdom taxation” set out in the letter from Numis on pages 24 to 25 of this document. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

### **12. Action to be taken to accept the Offer**

Your attention is drawn to the letter from Numis, set out on pages 14 to 30 of this document, the Appendices to this document, and to the Form of Acceptance, which set out the procedures for acceptance of the Offer by holders of NBF Shares.

### **13. Recommendation**

**The NBF Independent Directors, who have been so advised by John East & Partners, consider that the terms of the Offer are fair and reasonable. In providing advice to the NBF Independent Directors, John East & Partners has taken into account their commercial assessments.**

**Accordingly, the NBF Independent Directors unanimously recommend of NBF Shareholders to accept the Offer as they have irrevocably undertaken so to do in respect of their own aggregate beneficial shareholdings of 209,092 NBF Shares, representing approximately 0.74 per cent. of the issued share capital of NBF.**

**In addition, Patrick Ridgwell and NB. Ingredients have given irrevocable undertakings to accept the Offer in respect of their entire beneficial holdings of 13,736,361 NBF Shares, representing 48.62 per cent. of the issued share capital of NBF.**

Yours sincerely,

**Jeremy Hamer**

Non-Executive Director

## Part II

### Letter from Numis Securities Limited

*(Incorporated in England and Wales with registered number 2285918)*

*Registered Office*

Cheapside House  
138 Cheapside  
London EC2V 6LH

5 August 2005

*To NBF Shareholders and, for information purposes only, to the holders of options and warrants to subscribe for NBF Shares and to holders of RGFC Shares*

Dear NBF Shareholder

#### **Recommended all Share Offer by Numis Securities Limited on behalf of The Real Good Food Company Plc for Napier Brown Foods Plc**

#### **1. Introduction**

The boards of RGFC and NBF announced on 27 July 2005 the terms of a recommended all share offer to be made by Numis Securities Limited for and on behalf of RGFC, to acquire the entire issued and to be issued share capital of NBF.

**This letter, Appendix 1 to this document and the accompanying Form of Acceptance contain the formal terms and conditions of the Offer for your NBF Shares. In order to accept the Offer, the Form of Acceptance must be duly completed, signed and witnessed and returned as soon as possible, whether or not your NBF Shares are held in CREST, in the reply-paid envelope provided, by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to be received no later than 1.00 p.m. on 30 August 2005. The procedure for acceptance is set out in paragraph 17 of this letter.**

If your NBF Shares are held in uncertificated form (that is, in CREST) you should refer to your CREST sponsor before completing the Form of Acceptance. You must also transfer (or procure the transfer of) the NBF Shares concerned to an escrow balance, specifying in the TTE instruction the participant ID and member account ID inserted in box 2 of the Form of Acceptance, so that the TTE instruction settles no later than 1.00 p.m. on 30 August 2005.

Your attention is drawn to the letter from the NBF Independent Directors in Part I of this document which sets out the reasons why the NBF Independent Directors, who have been so advised by John East & Partners Limited, consider the terms of the Offer to be fair and reasonable.

The NBF Independent Directors have unanimously recommended all NBF Shareholders to accept the Offer, as they have irrevocably undertaken to do in respect of their own beneficial holdings of, in aggregate 209,092 NBF Shares, representing approximately 0.74 per cent. of the current issued share capital of NBF.

Due to the size of the Offer, RGFC will require the approval of RGFC Shareholders, which will be sought at an EGM to be held on 30 August 2005. Shareholder approval of the Offer is also necessary in order to obtain from the Panel dispensation from the requirement for NB. Ingredients to make a mandatory offer for the Company pursuant to Rule 9 of the Code.

The RGFC Directors, who have been so advised by Numis Securities Limited, believe that the terms of the Offer and the waiver of the Rule 9 obligation are fair and reasonable and in the best interests of the Company and the Shareholders. In providing advice to the Directors, Numis Securities Limited has taken into account their commercial assessments. The RGFC Directors have unanimously recommended that Shareholders vote in favour of the Offer and the waiver of the Rule 9 obligation as

**they have undertaken to do in respect of their aggregate shareholdings of 2,500,000 Existing Ordinary Shares, representing approximately 17.74 per cent. of the Existing Ordinary Shares.**

In addition, Patrick Ridgwell, NB. Ingredients and certain other shareholders have given irrevocable undertakings to accept the Offer in respect of their entire beneficial holdings of 20,688,288 NBF Shares, representing 73.23 per cent. of the issued share capital of NBF.

In aggregate, RGFC has received irrevocable undertakings to accept the Offer in respect of 20,897,380 NBF Shares, representing approximately 73.97 per cent. of NBF's existing issued ordinary share capital.

## **2. Terms of the Offer**

On behalf of RGFC, we hereby offer to acquire, subject to the conditions and on the terms set out in this document and in the Form of Acceptance, the entire issued and to be issued ordinary share capital of NBF on the following basis:

**for every NBF Share 1.6236 New RGFC Shares**

The Offer values each NBF Share at 220 pence, based on the Closing Price of 135.5 per RGFC Share on 26 July 2005 (the last dealing date prior to the announcement of the Offer), and values the whole of NBF's existing issued share capital at approximately £67.74 million.

On the same basis, the Offer represents:

- a premium of approximately 22.22 per cent. to the Closing Price of 180 pence per NBF Share on 7 March 2005 (the last dealing day before NBF's announcement that it was in talks regarding a possible offer for NBF);
- a premium of approximately 26.44 per cent. to the Closing Price of 174 pence per NBF Share on 17 June 2005 (the last dealing day prior to the date on which RGFC announced that it was in discussions with NBF concerning a potential offer for NBF);
- a premium of approximately 20.54 per cent. to the Closing Price of 182.5 pence per NBF Share on 26 July 2005 (the last dealing date prior to the date the boards of NBF and RGFC announced the terms of the Offer); and
- a level in excess of any Closing Price per NBF Share since it joined AIM on 18 December 2003.

Based on the Closing Price of 117.5 pence per RGFC Share on 4 August 2005 (the last dealing day prior to the date of this document), the Offer values each NBF Share at approximately 191 pence. This represents a premium of approximately 6 per cent. to the Closing Price of 180 pence per NBF Share on 7 March 2005 (the last dealing day prior to the commencement of the Offer Period).

The Offer extends to all NBF Shares unconditionally allotted or issued and fully paid on the date of the Offer. The Offer also extends to any NBF Shares which are unconditionally allotted or issued and fully paid while the Offer remains open for acceptance (or by such earlier date as RGFC may, subject to the City Code or with the consent of the Panel, determine) including any NBF Shares which are so unconditionally allotted or issued and fully paid pursuant to the exercise of options granted under the NBF Share Option Schemes and NBF Warrants.

Fractions of New RGFC Shares will not be issued to Accepting NBF Shareholders, Accepting NBF Shareholders will be issued with whole numbers of New RGFC Shares, with any fractional entitlements rounded down to the nearest whole New RGFC Share.

## **3. Background to and reasons for the Offer**

RGFC was established to build, through acquisition and organic growth, a food group with a spread of activity across the retail, food services and industrial sectors of the food market.

It has also been the stated aim of the NBF Board to seek to diversify into other growth areas in the food industry away from NBF's traditional product base.

The Offer will provide the Enlarged Group with critical mass, reduce operational risk as it will dilute the exposure to reliance upon key customers or particular product ranges and enable both companies to achieve their stated strategic goals.

#### 4. Irrevocable undertakings to accept the Offer

RGFC has received irrevocable undertakings from Patrick Ridgwell, non-executive Chairman, and NB Ingredients, a company in which Patrick Ridgwell and Anthony Ridgwell are interested, to accept, or to procure the acceptance of, the Offer in respect of their aggregate beneficial holdings of 13,736,361 NBF Shares representing, in aggregate, approximately 48.62 per cent. of the existing issued share capital of NBF. Such undertakings will cease to be binding only if the Offer lapses or is withdrawn.

RGFC has also received irrevocable undertakings from the NBF Independent Directors to accept, or to procure the acceptance of, the Offer in respect of their aggregate beneficial holdings of 209,092 NBF Shares, representing, in aggregate, approximately 0.74 per cent. of the existing issued share capital of NBF. Such undertakings will cease in the event of the announcement of a higher competing offer, or if the Offer lapses or is withdrawn.

RGFC has also received irrevocable undertakings to accept the Offer from certain other shareholders in respect of their entire holdings of, in aggregate, 6,951,927 NBF Shares, representing approximately 24.61 per cent. of NBF's existing issued ordinary share capital. Further details are set out below:

<i>Shareholder</i>	<i>Number of NBF Shares</i>	<i>Per cent. of existing issued share capital of NBF</i>
Agman Holdings Limited*	2,790,697	9.88
Rathbone Nominees Limited	803,409	2.84
Rathbone Income and Growth Fund	272,727	0.97
Rathbone Smaller Companies Fund	363,637	1.28
Rathbone Special Situations Fund	454,545	1.61
Rathbone Spenser Fund	72,727	0.26
Citygate Nominees	923,635	3.27
Brewin Dolphin Securities Ltd.	644,890	2.28
JM Finn Nominees Limited	140,600	0.50
David Reynolds	153,485	0.54
Marcus Reynolds	149,985	0.53
P Reynolds	39,700	0.14
C Reynolds	32,000	0.11
Kate Reynolds	15,950	0.05
Charles and Kate Reynolds	3,940	0.01
Weighbridge Trust Limited as trustees of the Rowan Trust	90,000	0.32

The undertaking marked with an \* relate to a beneficial holding of shares and will cease to be binding in the event of a higher or competing offer, or if the Offer lapses or is withdrawn. All other undertakings will cease to be binding only if the Offer lapses or is withdrawn.

#### 5. The Offer for Subscription

Pursuant to the terms of the Offer for Subscription, on the Rule 2.5 Announcement Date, aggregate subscription monies equal to £5,076,240 were committed to RGFC for New RGFC Shares at the Subscription Price. If the Offer is declared unconditional in all respects the New RGFC Shares will be issued on the Wholly Unconditional Date at the Subscription Price. If the Offer lapses or is withdrawn the Offer for Subscription will lapse and any monies held in respect thereof will be returned to the proposed subscribers.



## 6. Information on RGFC

RGFC was established to build, through acquisition and organic growth, a food group focusing on the supply of a range of chilled, frozen and ambient products to food retailers, the food services market and industrial customers.

The Directors seek to integrate businesses acquired into existing group operations to achieve operational improvements, so that trading margins and profitability are enhanced and also to exploit cross selling opportunities within the Group's customer base.

Its current trading divisions are:

### *Haydens Bakeries ("Haydens Bakeries")*

Haydens Bakeries supplies and produces high value bakery products and desserts with strong production skills in hand finishing, laminated yeasted dough products, and utilising quality fresh fruit in those products sold to grocery retail customers. The business operates from a 6,721m<sup>2</sup> factory in Devizes, Wiltshire and employs approximately 300 people.

### *Five Star Fish*

Five Star Fish supplies value-added, prepared frozen fish to the food service sector. The business is based in Grimsby, Lincolnshire and delivers to our 100 customers nationwide and employs approximately 200 people.

### *Seriously Scrumptious ("Seriously Scrumptious")*

Seriously Scrumptious is engaged in high quality cake manufacturing and individual portion bakery products for the retail and food service sectors. These products are produced at the Devizes factory.

## 7. Information on NBF

NBF is the holding company of a group of companies which is focussed on the supply of sugar, value-added sugar and nut products and dairy powders and associated food products. NBF trades through its subsidiary, Napier Brown & Company which, in turn, operates the businesses of each of its (now dormant) subsidiaries, Garrett, Sefcol and James Budgett, together with the business acquired from Renshaw Scott, in two trading divisions, the Ingredients and Renshaw divisions.

Napier Brown & Company, including the James Budgett business is the largest independent, non-refining, distributor of sugar in the UK. It also supplies sugar, dairy products, blends and associated ingredients to the food industry. Through its Renshaw division, it is a supplier of value-added sugar and nut products. The Renshaw Scott business, part of the Renshaw division, is the UK's leading manufacturer of marzipans, for the retail and industrial sectors and also a manufacturer of ready to roll icings, baking chocolate and jam to the industrial sector.

The NBF Group's administrative headquarters is based in St Katharine's Dock on the edge of the City of London.

Napier Brown & Company's Ingredients division operates from a freehold factory and rented warehouse space in Normanton, near Leeds, where it mills, sieves and packs brown and white sugars and provides a blending facility for the Group and its customers and from a sales office in Thornbury (ex Garrett).

The Renshaw division operates from Runcorn, Cheshire, where it manufactures its range of products from a freehold factory with associated warehousing and the Renshaw Scott business operates from two factories in Liverpool and Carlisle, Scotland.

## 8. Current Trading and Prospects

### 8.1 RGFC

Overall sales levels and operating profit across the RGFC Group are in line with the RGFC's Directors' expectations for the first six months of 2005. Both of the RGFC Group's principal businesses, Haydens Bakeries and Five Star Fish, are trading well above the same period a year ago and their gross margins have

improved in comparison with the same period in 2004. Seriously Scrumptious is trading in line with expectations.

On 27 May 2005, the Company announced the closure of its Coolfresh Sandwich business due to unsuccessful discussions in relation to a possible acquisition in this sector and the business having a negative cash effect on the RGFC Group. The production unit ceased substantive production in early June and the Company is due to vacate the site shortly.

A wide range of new product development activity is in place with the RGFC Group's major customers which the Board expect to give rise to a significant uplift in volumes in the second half of the year.\*

Haydens Bakeries revenues for the first six months of the year are up 17 per cent. on last year, with profits generated versus losses in the first half of the year. Product development programmes continue to deliver new listings and a major re-launch of their cream cake range has already been implemented for Waitrose in May. New customer listings have been secured with Budgens and plans are in place for new launches to new customers in the Autumn. Capital investment on the new frying line will increase capacity and efficiency at the end of the year. With the restructuring of the senior management team now virtually complete, the business has decided to integrate the Seriously Scrumptious commercial and operation functions into the spare capacity at the Haydens Bakeries site. As a consequence, the Glastonbury site will close during the summer, with the company seeking to re-assign the lease.

Whilst the foodservice market remains slow, reflecting the downturn in consumer spending, Five Star Fish's commitment to product development and excellent customer service puts the business in a strong position to increase market share. Revenues for the first six months of the year are 13 per cent. up on the same period last year, which were the highest ever achieved, with a positive trend into higher added value product ranges and an increasingly broader customer base.

The Board believe that the underlying performance of its two principal business units, Haydens Bakeries and Five Star Fish, is strong and both are performing well in their respective market places.

*\* Note: This statement does not constitute a profit forecast nor should it be interpreted to mean that future earnings per RGFC Share following the Offer becoming or being declared unconditional in all respects will necessarily match or exceed historical earnings per RGFC Share.*

## 8.2 NBF

The following is extracted from the Chairman's statement which forms part of the preliminary results for the year ended 3 April 2005 as announced on 27 July 2005.

"It gives me great pleasure to present the group's first set of full year results for the 53 week period ended 3 April 2005.

We have had a busy year and, as I reported in the interim statement, much has been achieved.

The integration of the three companies purchased at the time of the flotation in to Napier Brown & Company ("NBC") was completed at the end of last year and therefore these results include a full year of trading as one company. The benefits of the integration are continuing to accrue as the businesses work more closely together selling a broader range of products across a larger customer base.

This was followed by the acquisition of James Budgett Sugars Limited ("JBS") on 7 July 2004 for £17.4 million. JBS has been a supplier of sugar in the UK since 1857 and its addition to the group expands our sugar operations. At the time of the interim report I reported that we had planned to integrate JBS into NBC immediately but this plan was delayed by the decision of the Office of Fair Trading to refer the merger to the Competition Commission. I am pleased to report that, in March 2005, the Competition Commission allowed us to continue with our acquisition of JBS. Following the announcement, we have within a very short space of time, closed all of JBS's operations and integrated them into the Ingredients division of NBC. As previously announced, the delay in integrating JBS has resulted in additional administrative costs of £0.6 million in the year under review.

On 2 September 2004, the Company acquired the trade and certain assets of Renshaw Scott Limited ("Renshaw"), which has two manufacturing sites, Liverpool and Carlisle. At the Liverpool site the company

manufactures icings and marzipan for the baking industry. These operations were very similar to those performed at our Runcorn production site and on 30 September 2004 we announced that the majority of the Runcorn site would be closed, leaving only nut production in a dedicated plant, while all manufacturing of icings and marzipan would be transferred to the Liverpool site. The transfer of the Runcorn business was in accordance with the Board's action plan and all production has now been transferred to the Liverpool site. The freehold manufacturing units at Runcorn, which previously housed those activities that have now been moved to the Liverpool site, is currently being actively marketed and a number of parties have shown interest. The Board have received an offer of £2.2 million for these units. As a result of bringing together the two businesses at the Liverpool site the Board expects significant production efficiencies to emerge over the coming 12-18 months.

The Carluke site manufactures baking chocolate and retail jams and remains a standalone production unit. Greater focus has been given to the site since our acquisition and I look forward to reporting increased levels of business from this site together with the launch of new product ranges in my next statement.

Following the acquisition of Renshaw we have formed two divisions within NBC, the Ingredients and Renshaw divisions, both of which work closely together. The creation of two divisions is for operational purposes only. We continue to have one business activity being the supply of sugar related products to the food industry.

I am delighted to propose a second interim dividend of 2 pence per share which will be payable on 31 August 2005, to those shareholders on the register on 5 August 2005. This will bring the total dividend payable for the year to 3 pence per share which is in line with our stated policy (based on the Company's normalised profit) at the time the Company was admitted to trading on AIM.

### Trading Results

The trading results for the 53 week period ended 3 April 2005 were in line with management expectations showing a profit before exceptional items and taxation of £4.8 million (2004: £1.2 million). Exceptional items in the period, which related to costs of reorganising the business and closure of an acquired business, amounted to £1.7 million (2004: £0.4 million).

Operating profit before exceptional items, the additional JBS costs and amortisation of goodwill for the 53 week period ended 3 April 2005 was £10.6 million (2004: £1.9 million) as follows:

	<i>2005</i>	<i>2004</i>
	<i>£'million</i>	<i>£'million</i>
Operating profit	5.9	1.1
Amortisation of goodwill	2.4	0.4
Exceptional items	1.7	0.4
JBS additional costs	0.6	–
	<u>10.6</u>	<u>1.9</u>

The comparative figures are for the period from 7 July 2003 and only include NBC's trading results for the period from 18 December 2003. The results for the 53 week period ended 3 April 2005 show a full year of NBC's trading together with two significant acquisitions. Consequently, the group has changed significantly in the last year and as such the Directors no longer consider it appropriate to include a pro forma profit and loss account.

The basic earnings per share for the year under review rose from 4.56 pence to 4.78 pence. Before taking into account amortisation of goodwill, the basic earnings per share was 13.74 pence (2004: 9.47 pence) and before goodwill amortisation and exceptional items basic earnings per share was 20.22 pence (2004: 13.95 pence).

The gearing of the group at the year end was 168 per cent. This has continued at a high level in part due to the additional costs associated with the Competition Commission Inquiry and as stated in previous reports the Board had not expected any significant change in the levels of gearing by the year end.

In the period under review the business has generated an operating cash flow (before financing costs) of £8 million. The group continues to be cash generative and this along with further facilities available will enable the group to manage its debt and reduce gearing levels in the future.

Interest cover for the 53 week period ended 3 April 2005 was 2.9 times operating profit before amortisation of goodwill (2004: 4.8 times).

### **Hedging**

Following a review of the previous hedging arrangements the company has taken steps to hedge its interest rate exposure on borrowings. During the period the company entered into two interest rate swaps, which cover £36 million of the groups borrowing.

### **Staff**

I started my statement by saying it has been an exceptionally busy time for the group and how much has been achieved in the last year. It is a credit to our staff that so much has been achieved in such a short period and I would like to thank them for their efforts over the year.

### **Outlook**

Current trading is in line with management expectations.

The group now has a 'clear run' ahead of it. The integration of all the acquisitions has been completed and a structure is now in place to enable the board to operate the group more efficiently. Consequently, the Board believes that we can now more readily take advantage of the production synergies and the cross selling opportunities offered by the enlarged group.

The Company announced on 27 June 2005 that the European Commission has announced its proposals for the reform of the EU sugar regime. In summary, the EU Commission proposes to reduce EU sugar production over a four year period, commencing in July 2006. Consequently, it is expected that EU prices will eventually be 39 per cent. lower than current pricing levels, which would bring them more into line with world market levels.

As a result of the changes, the Board expects that certain EU producers and refiners will cease to trade, while others have acknowledged that their profit margins will be reduced. Furthermore, these changes are expected to increase the amount of imported sugars from the developing world to compensate for the proposed reduction in EU sugar production.

The Company welcomes these proposed changes and the Board believes they will strengthen its position in the sugar market, particularly as the Company is not a sugar refiner and sources its sugars from a number of producers.

Earlier today, The Real Good Food Company plc ("RGFC") announced the terms of an all share recommended offer for the Company. As you will have read in the Company's AIM prospectus and my previous statements it was always the intention of the Company to seek to broaden its base into valued added areas within the food industry. This offer, given the trading activities of RGFC, will allow us to follow our stated strategy and enable shareholders to hold shares in a broader based food group.

If our shareholders decide to accept the offer, as I and my family interests have undertaken to do, I look forward to working closely with the management team of RGFC.

Shareholders will note that under the terms of the offer Christopher Thomas and I will remain actively involved at board level to oversee the integration of the two businesses and the development of the trading activities of the enlarged group."

## 9. Financial Information

Your attention is drawn to Part VI to Part IX of the accompanying Prospectus which sets out the following and which should be read together with this document:

- **Financial Information**  
Section A: Accountants' Report on RGFC  
Section B: Accountants' Report on NBF
- **Operating and Financial Review**  
Section A: RGFC  
Section B: NBF
- **Pro Forma Statement of Net Assets of the Enlarged Group**
- **Report on the Pro Forma Statement of Net Assets of the Enlarged Group**

## 10. RGFC Group shareholder approval

Due to the size of the Acquisition of NBF, RGFC will require the approval of RGFC Shareholders, which will be sought at an extraordinary general meeting of RGFC to be held on 30 August 2005. RGFC directors whose shares equate to 17.74 per cent. of RGFC's existing ordinary share capital, have each irrevocably undertaken to vote in favour of each of the EGM resolutions.

## 11. Directors

Upon the Offer becoming or being declared unconditional in all respects, Patrick Ridgwell, will join the Board as non-executive deputy Chairman and Christopher Thomas will join as a non-executive director. Biographies of the Directors and Proposed Directors are set out below:

**Pieter Willem Totté** (*Non-executive Chairman*), aged 55, has considerable knowledge of the food sector and has acted as a corporate finance adviser in a large number of transactions within the food industry over the last 20 years and more recently has been retained as an advisor to various companies operating in the food sector including acting on the flotation of Glisten Plc and on various acquisitions for Finsbury Food Group Plc.

**Patrick George Ridgwell** (*Non-executive Chairman of NBF and proposed Non-executive Deputy Chairman of the Company*), aged 59, has extensive experience of the sugar industry and other food sectors, having acquired and developed a number of food businesses during his career. He joined Napier Brown & Company in 1964, became a director in 1969 and managing director in 1972, following its acquisition by his family interests in 1970. He is chairman of Napier Brown Holdings Limited which is controlled by his family interests.

**John Frederick Gibson** (*Chief Executive*), aged 54, has spent his entire working life in the food industry. He has been employed in both sales and operational roles for a number of the UK's leading food producers including Grand Metropolitan, Unigate Plc (renamed Uniq Plc) and Muller UK Limited. Since 1998 he has worked as chief executive officer or chief operating officer for a number of smaller unquoted and publicly quoted companies including Elizabeth the Chef Limited and S Daniels Plc, several of which have been in turnaround situations. He has also worked with several companies which have been engaged in acquisitive expansion programmes.

**Lee Mark Camfield** (*Finance Director*), aged 37, qualified as a management accountant in 1991. He has held a number of financial appointments with food manufacturing companies including Coca-Cola & Schweppes Beverages Limited, The Cheese Company Limited, H.J. Heinz Limited and more recently Golden West Foods Limited. Positions held have included group financial controller, finance controller, and business planning and development manager.

**Peter Cecil Salter** (*Non-executive Director*), aged 57, was formerly chief executive partner at Horwath Clark Whitehill, Chartered Accountants. Prior to this he was a tax specialist at the firm. Following this he has spent six years in international corporate consultancy advising on mergers and acquisitions. He has wide experience of working with financial institutions and companies and will head the Company's Audit and Remuneration Committees.

**Richard Gradowski-Smith** (*Non-executive Director*), aged 39, has gained a wealth of experience at a senior management level within the hospitality industry. He has been involved in brands such as TGI Fridays, Pret a Manger as well as successfully establishing the Seattle Coffee Company which was acquired as a result by Starbucks Coffee. Richard is currently an executive director of Welcome Break.

**James Campbell Mitchell** (*Non-executive Director*), aged 56, was formerly managing director of Eurofoods and Nicholas & Harris Limited (the former holding company of Eurofoods). He has over 30 years of experience in the food sector during which time he has established trading links with many of the major retailers. He has a strong management background with companies who specialise in the manufacture of high quality cakes, prestige bakery goods and allied products and is recognised as one of the leading developers of the quality celebration cake market in the UK.

**Christopher Owen Thomas** (*Chief Executive of NBF and proposed Non-executive Director of the Company*), aged 60, qualified as a chartered accountant with Harmood Banner, a predecessor firm of PricewaterhouseCoopers in 1969. In 1973, after working abroad, he joined Breakmate Limited, a vending business, which was admitted to the Unlisted Securities Market in 1984. Following a sale of the business he worked as a financial consultant. In 1992 he joined the NBF Group as group finance director. For the last thirteen years he has been directly involved with the day-to-day operations of the individual businesses within the NBF Group.

## 12. NBF Share Option Schemes

The Offer extends to any NBF Shares issued or unconditionally allotted and fully paid (or credited as fully paid) whilst the Offer remains open for acceptance (or, subject to the City Code, by such earlier date as RGFC may decide), including NBF Shares issued pursuant to the exercise of options or rights granted under the NBF CSOP, NBF Non-Approved Plan, the NBF SIP, the NBF Warrants or otherwise. All options over NBF Shares issued under the NBF Non-Approved Plan become exercisable upon the Offer becoming or being declared wholly unconditional. If this occurs, persons who hold such options will therefore be in a position to exercise their options and accept the Offer in respect of the NBF Shares issued to them. In so far as they are not exercised within the compulsory acquisition period pursuant to sections 428 to 430 of the Act (in respect of all options), such options will lapse. It is proposed that RGFC will make appropriate proposals to the relevant participants in the NBF CSOP, NBF Non-Approved Plan, NBF SIP and NBF Warrants to roll over or exchange their options and warrants over NBF Shares for equivalent options and warrants over RGFC Shares the terms of which new options and warrants are set out in the Prospectus.

## 13. Inducement fee

At the start of RGFC's negotiations with NBF regarding a possible offer for NBF, RGFC agreed to pay NBF an inducement fee of £200,000 in the event of the proposed offer lapsing or being withdrawn or not being financed, made or declared unconditional by a specified date, or if the RGFC Board did not recommend RGFC Shareholders to vote in favour of the proposed offer. The date originally specified has now passed and although it has not formally waived its rights, NBF has not sought to recover payment and it is expected that the inducement fee will not be payable if the Offer (as referred to in this announcement) is declared unconditional in all respects.

## 14. Financial effects of acceptance

The table below is for illustrative purposes only and describes the financial effect of acceptance of the Offer on the capital and income potential of a NBF Shareholder owning 100 NBF Shares.

<i>Capital Value</i>	<i>Notes</i>	<i>Price (pence)</i>	<i>Value (£)</i>
Market value of 162 <sup>†</sup> New RGFC Shares	(i)	135.5	219.51
Market value of 100 NBF Shares	(ii)	182.5	182.50
Increase in capital value			37.01
This represents an increase of approximately			20.28%

<sup>†</sup> Following rounding down to the nearest whole number

*Income Value*

	<i>Notes</i>	<i>Value (£)</i>
Gross dividend income (per annum) from 162 New RGFC Shares	(iii)	Nil
Total gross income (per annum)		Nil
Gross dividend income (per annum) from 100 NBF Shares	(iv)	3.33
Loss in gross income (per annum)		3.33

**Bases and assumptions**

- (i) The New RGFC Share price is based on the closing price for a RGFC Share of 135.5p as derived from the Daily Official List on 26 July 2005 (the last dealing date prior to the announcement of the Offer).
- (ii) The NBF Share price is based on the closing price for a NBF Share of 182.5p as derived from the Daily Official List on 26 July 2005 (the last dealing date prior to the announcement of the Offer).
- (iii) The gross dividend income on 162 New RGFC Shares is based on there being no declared dividend per New RGFC Share in respect of the year ended 31 December 2004. (Note: This statement does not constitute a profit forecast nor should it be interpreted to mean that future earnings per RGFC Share following the Offer becoming or being declared unconditional in all respects will necessarily match or exceed historical earnings per RGFC Share.)
- (iv) The gross dividend income on 100 NBF Shares is based on the total declared dividend of 3 pence per NBF Share in respect of the 53 week period ended 3 April 2005 together with an associated tax credit of 10/90ths of the amount paid (Note: This statement does not constitute a profit forecast).
- (v) Save as disclosed in note (iv), no account has been taken of any potential liability to taxation.

**15. Compulsory acquisition and cancellation of admission**

NBF Shareholders should note that if RGFC receives acceptances under the Offer in respect of, and/or otherwise acquires 90 per cent. or more of, the NBF Shares which the Offer relates. RGFC intends to exercise its rights under sections 428 to 430F of the Act to compulsorily acquire the remaining NBF Shares.

NBF Shareholders should also note that RGFC intends to procure that NBF applies to AIM for the cancellation of the admission of NBF Shares to trading on AIM not less than 15 business days following the date on which the Offer becomes or is declared unconditional in all respects. NBF Shareholders should note that cancellation of such admission would significantly reduce the liquidity and marketability of any NBF Shares in respects of which acceptances of the Offer are not validly made. RGFC also intends to procure the re-registration of NBF as a private company under the relevant provisions of the Act.

**16. Overseas Shareholders**

The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable requirements in relation to the Offer.

The Offer is not being, and will not be, made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone or e-mail) of interstate or foreign commerce of, or by any facilities of a national securities exchange of, the United States, Canada, Australia, Republic of Ireland or Japan and cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia, Republic of Ireland or Japan. Accordingly, copies of this document and the Form of Acceptance and any other documents related to the Offer are not being, and must not be, mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Republic of Ireland or Japan.

The attention of Overseas Shareholders and other NBF Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to, or who may have a contractual or legal right to forward this document and its accompanying documents to any jurisdiction outside the UK is drawn to paragraph 6 of Part 2, and paragraphs 1.2 and 1.3, of Part 3 of Appendix 1 to this document. Any acceptance of this Offer by acceptors who are unable to give the representations and warranties set out in paragraphs 1.2 and 1.3, of Part 3 of Appendix 1 will not be valid, subject to certain limited exceptions.

## **17. United Kingdom taxation**

### *17.1 Taxation implications of Share for Share Exchange*

#### ***Chargeable Gains***

Acceptance of the Offer will result in the NBF Shareholder's existing NBF Shares being replaced with new RGFC shares. For capital gains purposes this share exchange will not be treated as a disposal of NBF Shares and separate acquisition of RGFC Shares. The new RGFC shares will inherit the base cost of the original NBF shares and will be treated as having been acquired when the original NBF shares were acquired.

#### ***Inheritance Tax***

Relief from inheritance tax is available on assets that qualify as "business property" as long as the asset has been owned for a minimum period of two years. 100 per cent. relief is available on all unquoted shares in a trading company or a holding company of a trading group. Shares traded on the Alternative Investment Market are treated as unquoted for these purposes. Relief from IHT is restricted where the company or group's assets include assets that have not been used for the purpose of the business in the last two years nor required for the future use of the business. In determining whether the new RGFC shares have been held for the minimum two year period, the shares are treated as if they were acquired when the original NBF Shares were acquired.

RGFC and its subsidiaries comprise a trading group and, as such, the new RGFC Shares should be eligible for IHT business property relief subject to the minimum ownership requirement. Neither the Company nor the Directors, however, makes any warranty or gives any undertaking that IHT business property relief will be available in respect of RGFC Shares issued in exchange for the NBF Shares, nor do they warrant or undertake that the RGFC Shares will continue to qualify for IHT business property relief purposes.

### *17.2 Taxation of chargeable gains on a future sale of new RGFC Shares*

Following the exchange of NBF Shares for new RGFC shares liability to tax on chargeable gains on the future sale of those RGFC shares will depend on the individual circumstances of the shareholder.

#### ***Individual Shareholders***

For individual shareholders, taper relief will be available in respect of the period of ownership starting from the date that the NBF Shares were originally acquired. Taper relief will reduce the amount of any chargeable gain realised on disposal according to how long (in complete years) the original NBF Shares and replacement RGFC shares are held before a sale. The actual rate of taper relief will also depend on whether the shares are treated as "business" or "non-business" assets for the purposes of the relevant legislation.

If a "business asset" is sold more than two years after its acquisition then 75 per cent. of the capital gain, before annual exemption, is exempt from capital gains tax. This reduces the effective capital gains tax rate on the sale for a higher rate individual taxpayer from 40 per cent. to 10 per cent. If an asset is not a "business asset" for taper relief purposes then the amount of exemption from capital gains tax is lower, with up to 40 per cent. of the capital gain being exempt from capital gains tax after a period of ten years.

The table below sets out the taper relief that is currently available on a disposal of a business asset and a non-business asset.



<i>Number of complete years that asset is held before disposal</i>	<i>Business Asset % of capital gain exempt from capital gains tax</i>	<i>Non-Business Asset % of capital gain exempt from capital gains tax</i>
0	0	0
1	50	0
2	75	0
3	75	5
4	75	10
5	75	15
6	75	20
7	75	25
8	75	30
9	75	35
10	75	40

From 6 April 2000 “business assets” for taper relief purposes includes all unlisted shares in a trading company or a holding company of a trading group. Shares traded on the Alternative Investment Market are treated as unlisted for these purposes. A trading group consists of a group of companies whose activities, taken together, do not include to a substantial extent activities other than trading activities. Prior to 6 April 2000 the definition of “business assets” for unlisted trading company shares was more restrictive in that at least 25 per cent. of the shares had to be held or the individual had to be a full-time employee or office-holder of the company and hold at least 5 per cent. of the shares. Where shares satisfy the definition of a business asset from 6 April 2000 but not prior to 6 April 2000 then a proportion of the capital gain on a sale of those shares will be eligible for business asset taper relief and a proportion will be eligible for non business asset taper relief.

RGFC and its subsidiaries comprise a trading group and, as such, the RGFC Shares issued in exchange for NBF Shares should satisfy the definition of a business asset for taper relief purposes. Neither the Company nor the Directors, however, makes any warranty or gives any undertaking that business asset taper relief will be available in respect of the RGFC Shares issued in exchange for the NBF Shares, nor do they warrant or undertake that the RGFC Shares will continue to qualify as business assets for taper relief purposes.

### ***Corporate Shareholders***

In the case of a corporate shareholder with the charge to UK corporation tax, the indexation allowance rules will continue to apply, with the new RGFC Shares received in exchange for the NBF Shares being treated as if acquired when the NBF Shares were originally acquired.

### ***17.3 Other tax matters***

Special tax provisions may apply to NBF Shareholders who have acquired or who acquire their NBF Shares by exercising options under the NBF Share Option Plans, including provisions imposing a charge to income tax when an option is exercised.

### ***17.4 Stamp duty and stamp duty reserve tax***

No stamp duty or stamp duty reserve tax should be payable by NBF Shareholders as a result of accepting the Offer.

**The above comments are intended as a general guide to the position under current law and Inland Revenue practice in the United Kingdom. They relate only to certain limited aspects of the taxation position of NBF Shareholders who are resident or ordinarily resident in the United Kingdom for taxation purposes and who hold their NBF Shares as investments (but not those holding NBF Shares through a person equity plan or individual savings account). If you are in any doubt as to your tax position, or are subject to taxation in a jurisdiction other than the United Kingdom, it is recommended that you consult an appropriate professional adviser without delay.**

## 18. Procedure for acceptance of the Offer

This section should be read together with Part 3 of Appendix 1 to this document and the instructions on the Form of Acceptance. You should note that if you hold NBF Shares in both certificated and uncertificated form, you should complete a separate Form of Acceptance for each holding. Similarly, you should complete a separate Form of Acceptance for any NBF Shares held in uncertificated form, but under different member account IDs and for any NBF Shares held in certificated form but under a different designation. If you do not wish to accept the Offer you should take no action.

### 18.1 *To Accept the Offer*

To accept the Offer, you must complete Boxes 1 and 3 and, if appropriate, Boxes 4, 5 and 6 and sign Box 2 of the Form of Acceptance in the presence of a witness, who should also sign in accordance with the instructions printed thereon.

### 18.2 *Return of Form(s) of Acceptance*

**To accept the Offer, the Form(s) of Acceptance must be completed and returned, whether or not your NBF Shares are in CREST. The completed Form(s) of Acceptance, together with (if your NBF Shares are in certificated form) the share certificate(s) for your NBF Shares and/or other document(s) of title, should be returned, by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to be received no later than 1.00 p.m. on 30 August 2005. A reply-paid envelope is enclosed for your convenience.**

A Form of Acceptance received in an envelope postmarked in the United States, Canada, Australia, the Republic of Ireland or Japan or otherwise appearing to RGFC or its agents to have been sent from the United States, Canada, Australia, the Republic of Ireland or Japan will not constitute a valid acceptance of the Offer.

### 18.3 *NBF Shares in uncertificated form (that is, in CREST)*

If your NBF Shares are in CREST, you should insert in Box 4 of the Form of Acceptance the participant ID and member account ID under which such NBF Shares are held by you in CREST in accordance with the instructions given on it and otherwise complete and return the Form of Acceptance in accordance with the procedures described above. In addition, you should take (or procure to be taken) the action set out below to transfer the NBF Shares in respect of which you wish to accept the Offer to an escrow balance (that is, a TTE instruction), specifying Capita IRG Plc (in its capacity as a CREST participant under its relevant participant ID referred to below) as the escrow agent, **as soon as possible and in any event so that the transfer to escrow settles not later than 1.00 p.m. on 30 August 2005.**

**If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action.** Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your NBF Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to CRESTCo in relation to your NBF Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- (A) the number of NBF Shares to be transferred to an escrow balance;
- (B) your member account ID. This must be the same member account ID as the member account ID that is inserted in Box 4 of the Form of Acceptance;
- (C) your participant ID. This must be the same participant ID as the participant ID that is inserted in Box 4 of the Form of Acceptance;
- (D) the relevant participant ID of the escrow agent (Capita Registrars, in their capacity as Receiving Agent). This is RA10;

- (E) member account ID of the escrow agent. This is NAPIER;
- (F) the Form of Acceptance reference number. This is the reference number that appears in Box 4 on page 3 of the Form of Acceptance. This reference number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable the Receiving Agent to match the transfer to escrow to your Form of Acceptance. You should keep a separate record of this reference number for future reference;
- (G) the intended settlement date. This should be soon as possible and in any event not later than 1.00 p.m. on 30 August 2005;
- (H) the Corporate Action Number, which will be available on screen from CRESTCo;
- (I) the Corporate Action "ISIN". This is GB0034013762; and
- (J) input with standard delivery of priority 80.

After settlement of the TTE instruction, you will not be able to access the NBF Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the escrow agent will transfer the NBF Shares concerned to itself in accordance with paragraph 1.6(A) of Part 3 of Appendix 1 to this document.

You are recommended to refer to the CREST manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing, you are requested, wherever possible, to ensure that a Form of Acceptance relates to only one transfer to escrow.

If no Form of Acceptance reference number is included on the TTE authentication, RGFC may treat any amount of NBF Shares transferred to an escrow balance in favour of the escrow agent specified above from the participant ID and members account ID identified in the TTE custodian as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the amount of NBF Shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

**You should note that CRESTCo does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your NBF Shares to settle prior to 1.00 p.m. on 30 August 2005. In this regard you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.**

#### 18.4 *Share certificates not readily available or lost*

If you hold NBF Shares in certificated form, even if your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the Form of Acceptance should nevertheless be completed, signed and **returned as stated above so as to arrive not later than 1.00 p.m. on 30 August 2005**, together with any share certificate(s) and/or other document(s) of title that you have available, accompanied by a letter stating that the balance will follow or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible thereafter. **No acknowledgement of receipt of documents will be given.** In the case of loss, you should write as soon as possible to the Receiving Agent at the address referred to in paragraph 18.2 above for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned to the Receiving Agent as stated above.

#### 18.5 *Deposits of NBF Shares into, and withdrawals of NBF Shares from, CREST*

Normal CREST procedures (including timings) apply in relation to any NBF Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of NBF Shares or otherwise). Holders of NBF Shares who are proposing so to convert any such NBF Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the

person holding or acquiring the NBF Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) or other documents of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on 30 August 2005.

#### 18.6 *Validity of acceptances*

Without prejudice to Parts 2 and 3 of Appendix 1 to this document, RGFC reserves the right to treat as valid any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title or is not accompanied by the relevant TTE instructions (as applicable). In that event, no payment of cash under the Offer, in relation to such acceptances will be made until after the acceptance is entirely in order and the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to RGFC have been received or (as applicable) the relevant TTE instructions have been settled.

#### 18.7 *Overseas Shareholders*

The attention of Overseas Shareholders (and any persons who may have an obligation to forward this document to any person outside the United Kingdom) is drawn to paragraph 6 of Part 2 of Appendix 1 of this document and to the relevant provisions of the Form of Acceptance.

#### 18.8 *General*

**If you are in any doubt as to the procedure for acceptance, please contact Capita Registrars by telephone on 0870 162 3121 or, if calling from abroad, +44 208 639 2157 or at the address specified in paragraph 18.2 above. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.**

### 19. Settlement

Subject to the Offer becoming or being declared unconditional in all respects (except as provided in paragraph 6 of Part 2 of Appendix 1 in the case of certain Overseas Shareholders), settlement of the consideration to which any NBF Shareholder is entitled under the Offer will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date, or (ii) in the case of acceptances received, complete in all respects, after such date but while the Offer remains open for acceptance, within 14 days of the receipt of such acceptances, in the following manner:

#### 19.1 *NBF Shares in uncertificated form (that is, in CREST)*

where an acceptance relates to NBF Shares in uncertificated form, the Offer Shares to which the accepting NBF Shareholder is entitled will be issued in uncertificated form. RGFC will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the NBF shareholder concerned with such shareholder's entitlement to Offer Shares. The stock account concerned will be an account under the same participant ID and member account ID as appeared in the TTE instruction(s) concerned; and

#### 19.2 *NBF Shares in certificate form*

where an acceptance relates to NBF Shares in certificated form definitive certificates for the Offer Shares will be dispatched by first-class post (or by such other method as may be approved by the Panel).

If the Offer does not become or is not declared unconditional in all respects (i) (in the case of NBF Shares held in certificated form) the share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing to the person or agent whose name and address (if outside the United States, Canada, Australia, the Republic of Ireland and Japan) is set out in Box 3 or, if appropriate, Box 6 of the Form of Acceptance or, if not set out, to the first-named holder at his or her or its registered address and (ii) (in the case of NBF Shares held in

uncertificated form) the Receiving Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), give TFE instructions to CRESTCo to transfer all NBF Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the NBF Shareholders concerned.

All documents and remittances sent by, to, or from NBF Shareholders or their appointed agents will be sent at their own risk.

## 20. City Code

The Acquisition gives rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford to Shareholders are described below.

The City Code has not and does not seek to have, the force of law. It has, however, been acknowledged by both the UK government and other UK regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the UK should conduct themselves in matters relating to takeovers in accordance with high business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeovers and merger transactions, however effected, where the offeree company is, inter alia, a listed or unlisted public company resident in the UK and to certain categories of private limited companies. NBF is such a company and its shareholders are entitled to the protections afforded by the City Code.

Pursuant to Rule 9 of the City Code, any person who acquires shares which, when taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code, is normally required to make a general offer to all shareholders in that company in cash to acquire the remaining shares in the company not already held by them at the highest price paid for any shares in the Company in the previous 12 months by the person required to make the offer or any person acting in concert with him.

When a shareholder holds over 30 per cent. in the share capital in a company, the acquisition by such shareholder of shares sufficient to increase his holding to 30 per cent. or more, may be regarded by the Panel as giving rise to an obligation to make an offer for the entire company.

The Panel has agreed however to waive the obligation to make a general offer that would otherwise arise on completion of the Proposals, subject to the approval of independent Shareholders of RGFC. Accordingly, such a resolution is being proposed at the Extraordinary General Meeting of RGFC and will be taken on a poll. To be passed, such resolution will require the approval of a simple majority of votes cast on that poll. NBF Shareholders will not be entitled to vote on this resolution.

**Both Patrick Ridgwell and Anthony Ridgwell are directors of NB. Ingredients and are therefore deemed to be acting concert with NB. Ingredients. Following completion of the Proposals, NB. Ingredients will hold a maximum of 34.5 per cent. and Patrick Ridgwell will hold a maximum of 0.3 per cent. of the issued voting share capital of the Company and accordingly, none of NB. Ingredients, Patrick Ridgwell or Anthony Ridgwell may increase their aggregate holding without incurring any further obligation under Rule 9 of the Code to make a general offer. The Panel should be consulted, before any increase of such holding.**

None of Patrick Ridgwell, Anthony Ridgwell or NB. Ingredients has purchased Ordinary Shares in the 12 months preceding the date of this document. The Rule 9 Waiver will be invalid if purchases of Ordinary Shares are made by any of them in the period between the date of this document and the RGFC EGM.

NB. Ingredients is an investment holding company whose registered office is at c/o Napier Brown Holdings Limited, International House, St Katherine's Dock, London E1W 1XB. The directors of NB. Ingredients are Patrick Ridgwell and Anthony Ridgwell. The ultimate beneficial owners of NB. Ingredients are Patrick Ridgwell (26.4 per cent.), Anthony Ridgwell (4 per cent.), a Ridgwell family Trust (64.15 per cent.) of which Anthony Ridgwell and his family are the main beneficiaries, and a charitable trust, the Ridgwell Leukaemia

Trust (4.72 per cent.), of which Patrick Ridgwell is a trustee Napier Brown Holdings Limited does not hold any shares in RGFC.

In December 2003 NBF was admitted to AIM as the holding company for Napier Brown & Company Limited, Garrett Ingredients Limited and Sefcol Ingredients Limited. These companies were acquired from NB. Ingredients in exchange for £15 million in shares and £20 million in cash, with a further £15.8 million payable as deferred consideration.

NB. Ingredients holds 48.27 per cent. of the share capital of NBF and also holds £9.3 million of NBF loan notes. These loan notes were issued to NB Ingredients at the time of the acquisition of the three companies referred to above, as part of the deferred consideration payable to NB Ingredients. These loan notes were due to have been redeemed by NBF as to £6.5 million on 31 December 2005 and £2.8 million on 31 December 2006. RGFC has agreed to take an assignment of the loan notes plus interest as provided therein under the terms of an assignment agreement entered into between NB. Ingredients and RGFC (the "Loan Note Assignment"). Under the terms of the Loan Note Assignment, £6.5 million will be paid to NB. Ingredients as soon as practicable following the Offer being declared unconditional in all respects and the balance together with interest in tranches of at least £250,000 on the earlier of 31 December 2006 or out of the proceeds of any equity fundraising or following the exercise of options or warrants under the NBF Share Option Schemes.

Accordingly, Patrick Ridgwell and Anthony Ridgwell have not taken part in the deliberations of the Board of NBF when considering the Offer.

## **21. Further Information**

Your attention is drawn to the Appendices, which form part of this document, and to the Form of Acceptance which contains further material information which may not be summarised elsewhere in this document.

## **22. Action to be taken**

**To accept the Offer, the Form of Acceptance must be completed and returned together with documents of title (where relevant), whether or not your NBF Shares are in CREST, as soon as possible and, in any event, so as to be received by post or (during normal business hours only) by hand to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to be received no later than 1.00 p.m. on 30 August 2005.**

Yours faithfully

for and on behalf of  
**Numis Securities Limited**

## APPENDIX I

### Conditions and further terms of the Offer

#### Part 1: Conditions of the Offer

The Offer will comply with the applicable rules and regulations of the Code, will be governed by English law and will be subject to the jurisdiction of the Courts of England and Wales. The Offer will be subject to the terms and conditions to be set out in this document and accompanying Form of Acceptance and will be subject to the following conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by no later than the First Closing Date (or such later time(s) and/or date(s) as RGFC may, subject to the rules of the Code, decide) in respect of not less than 90 per cent. in nominal value (or such lesser percentage as RGFC may decide) of the NBF Shares to which the Offer relates, provided that this condition shall not be satisfied unless RGFC and/or its wholly-owned subsidiaries shall have acquired or agreed to acquire, whether pursuant to the Offer or otherwise, NBF Shares carrying, in aggregate, more than 50 per cent. of the voting rights normally exercisable at general meetings of NBF, including for this purpose (to the extent, if any, required by the Panel) any such voting rights attaching to any NBF Shares which are unconditionally allotted or issued fully paid (or credited as fully paid) before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any subscription or conversion rights or otherwise. For the purposes of this condition:
  - (i) the expression “NBF Shares to which the Offer relates” shall be construed in accordance with sections 428-430F (inclusive) of the Act;
  - (ii) NBF Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry on issue; and
  - (iii) valid acceptances shall be deemed to have been received in respect of NBF Shares which are treated for the purposes of section 429(8) of the Companies Act 1985 as having been acquired or contracted to be acquired by RGFC by virtue of acceptances of the Offer.
- (b) without limitation to condition (d) below, RGFC not having discovered or otherwise become aware prior to the date when the Offer would otherwise have become or been declared unconditional that the Office of Fair Trading intends to refer the proposed acquisition of NBF by RGFC, or any matters arising therefrom, to the Competition Commission pursuant to section 33 of the Enterprise Act 2002;
- (c) save as disclosed in NBF’s annual report and accounts for the year ended 28 March 2004, the audited preliminary results of NBF for the 53 week period ended 3 April 2005 announced on 27 July 2005, or as publicly announced by NBF by the delivery of an announcement to a Regulatory Information Service prior to 26 July 2005, or as fairly disclosed in writing to RGFC or its financial or professional advisers prior to 26 July 2005, (such public announcements, disclosures or information being referred to in these terms and conditions as being “revealed”), there being no provision of any agreement, authorisation, arrangement, franchise, consent, lease, licence, permit or other instrument to which any member of the NBF Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which as a result of the Offer or the proposed acquisition by RGFC of any shares in, or control of, NBF or otherwise, is reasonably likely to result (in each case to an extent which is material in the context of the NBF Group taken as a whole) in:
  - (i) any monies borrowed by, or any other indebtedness, actual or contingent, of or any grant available to, any such member being or becoming repayable or capable of being declared repayable immediately or earlier than its stated maturity date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn, prohibited or inhibited or becoming capable of being withdrawn, prohibited or inhibited;

- (ii) any such agreement, authorisation, arrangement, franchise, consent, lease, licence, permit or other instrument or the rights, liabilities, obligations or interests of any such member thereunder being or becoming capable of being terminated or adversely modified or affected;
- (iii) the business of any such member in or with any other person, firm, company or body (or any arrangements relating to such business) being terminated, modified or adversely affected;
- (iv) any material assets or material interests of any such member being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any such member otherwise than in the ordinary course of business;
- (v) the creation of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such security (whenever created, arising or having arisen) becoming enforceable or being enforced;
- (vi) the financial or trading position or profits of any member of the Wider NBF Group being prejudiced or adversely affected;
- (vii) the creation of any material liabilities (actual or contingent) (other than in the ordinary course of business) by any member of the Wider NBF Group;
- (viii) any such member ceasing to be able to carry on business under any name under which it presently does;

and no event having occurred which, under any provisions of any such arrangement, franchise, consent, lease, licence, permit or other instrument, would result in any of the events or circumstances which are referred to in paragraph (i) to (viii) of this condition (c) in any case to an extent which is or would be material in the context of the Wider NBF Group taken as a whole;

- (d) no government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body or authority (including, without limitation, any national anti-trust or merger control authority), court, trade agency, institution or any other similar body or person whatsoever in any jurisdiction (each a “Third Party” and all collectively “Third Parties”) having instituted or implemented or threatened, or having decided to institute, implement or threaten, any action, proceeding, suit, investigation, enquiry or reference or having made, proposed or enacted any statute, regulation, order or decision or taken any other steps which is reasonably likely to (in each case to an extent which is material in the context of the Wider NBF Group or the Wider RGFC Group, as the case may be, in each case taken as a whole):
  - (i) make the Offer or its implementation or the Acquisition or the proposed acquisition by RGFC of all or any NBF Shares, or the acquisition or proposed acquisition of other securities in, or control of, NBF by RGFC, void, illegal and/or unenforceable under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, challenge, frustrate, delay or interfere with the same, or impose additional material conditions or obligations with respect thereto, or otherwise require material amendment to the terms of the Offer or any such acquisition (including, without limitation, taking any steps which would entitle the NBF Board to require RGFC to dispose of all or some of its NBF Shares or restrict the ability of RGFC to exercise voting rights in respect of some or all of such NBF Shares);
  - (ii) require, prevent or delay the divestiture, or alter the terms envisaged for any proposed divestiture, by any member of the Wider RGFC Group or any member of the Wider NBF Group of all of any material portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct their respective businesses or to own any of their respective assets or property to an extent which is material in the context of the Wider RGFC or the Wider NBF Group taken as a whole, respectively;
  - (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider RGFC Group to acquire or hold or exercise effectively, directly or indirectly, all or any



rights of ownership in respect of shares or other securities (or the equivalent) in any member of the Wider NBF Group or to exercise management control over any such member;

- (iv) otherwise materially and adversely affect in any respect any or all of the businesses, assets or profits of any member of the Wider RGFC Group or any member of the Wider NBF Group respectively in each case, to an extent which is material in the context of the Offer or either such Group taken as a whole;
- (v) result in any member of the Wider NBF Group ceasing to be able to carry on business or impose any limitation on the ability of any member of the Wider RGFC Group or any member of the Wider NBF Group to integrate or co-ordinate its business, or any part of it, with the business of any member of the Wider NBF Group or the Wider RGFC Group to an extent that is material in the context of the Wider RGFC Group or the Wider NBF Group;
- (vi) save pursuant to the Offer or Part XIII A of the Act, require any member of the Wider RGFC Group or of the Wider NBF Group to offer to acquire any shares or other securities) in any member of the Wider NBF Group owned by any third party;
- (vii) impose any charge, lien, contribution notice, financial support direction or restoration order on any member of the Wider RGFC Group or any member of the Wider NBF Group respectively or over any or all of their respective businesses, assets or profits in respect of the NBF Pension Plan or otherwise.

and all applicable waiting and other time periods during which any such Third Party could take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference under the laws of any relevant jurisdiction or enact any such statute, regulation, order or decision or take any steps having expired, lapsed or been terminated;

- (e) all authorisations, orders, recognitions, grants, determinations, consents, licences, confirmations, clearances, certificates, permissions and approvals (each an "Authorisation") which are necessary in any relevant jurisdiction for or in respect of the Offer or the proposed acquisition of any shares or other securities in, or control of, NBF or any other member of the Wider NBF Group by any member of the Wider RGFC Group or the carrying on by any member of the Wider NBF Group of its business having been obtained, in terms and in a form reasonably satisfactory to RGFC from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider NBF Group has entered into contractual arrangements, in each case where the absence of such Authorisation from such a person might have a material adverse effect on the Wider NBF Group (taken as a whole) and all such Authorisations remaining in full force and effect and there being no notice or intimation of any intention to revoke, withdraw, withhold, suspend, restrict, modify, amend or not to renew any of the same;
- (f) all notifications and filings which are necessary having been made, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all necessary statutory or regulatory obligations in any relevant jurisdiction having been complied with in each case in connection with the Offer or the Acquisition or the proposed acquisition of any shares or other securities in, or control of, NBF or any other member of the Wider NBF Group by any member of the Wider RGFC Group where, in each case, the absence of such compliance might have a material and adverse effect on the business of any member of the Wider NBF Group;
- (g) save as revealed, no member of the Wider NBF Group having:
  - (i) (save as between NBF and wholly-owned subsidiaries of NBF, or for options granted or on the exercise of rights to subscribe for NBF Shares pursuant to the exercise of options granted or the exercise of rights under the NBF Share Option Scheme prior to the date hereof) issued, agreed to issue, authorised or proposed the issue or grant of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for, or acquire, any such shares or

- convertible securities or redeemed, purchased or reduced or announced any proposal to redeem, purchase or reduce any part of its share capital;
- (ii) recommended, declared, paid or made or proposed to declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise, other than to NBF or wholly-owned subsidiaries of NBF;
  - (iii) (save as between NBF and wholly-owned subsidiaries of NBF) merged with or demerged any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any rights, title or interest in any asset (including shares and trade investments), or authorised or proposed or announced any intention to propose any merger, demerger, acquisition, disposal, transfer, mortgage or charge or the creation of any security interest over the same (other than in the ordinary course of business and being material in the context of the Wider NBF Group taken as a whole);
  - (iv) (save as between NBF and wholly-owned subsidiaries of NBF, or for options granted or on the exercise of rights to subscribe for NBF Shares pursuant to the exercise of options granted or the exercise of rights under the NBF Share Option Scheme prior to the date hereof) authorised or proposed, or announced any intention to propose, any change in its share or loan capital including the purchase of any of its own shares;
  - (v) issued, authorised or proposed the issue of or made any change in or to any debentures or incurred or increased any indebtedness or become subject to a liability (actual or contingent) which in any case is outside the ordinary course of business and material in the context of the Wider NBF Group taken as a whole;
  - (vi) entered into, implemented, effected, varied, authorised or proposed any contract, reconstruction, amalgamation, scheme, commitment, merger, demerger or other transaction or arrangement or waived or compromised any claim in respect of itself or another member of the Wider NBF Group, in each case otherwise than in the ordinary course of business, which in any case is material in the context of the Wider NBF Group taken as a whole;
  - (vii) proposed any voluntary winding up;
  - (viii) terminated or varied the terms of any agreement between any member of the Wider NBF Group and any other person in a manner which is likely to have a material adverse effect on the position of the Wider NBF Group;
  - (ix) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider NBF Group which, taken as a whole, are material in the context of the Wider NBF Group taken as a whole;
  - (x) entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
    - A. is of a long term, onerous or unusual nature or magnitude or which is or could involve an obligation of such nature or magnitude; or
    - B. is other than in the ordinary course of business;and which in any such case is material in the context of the Wider NBF Group taken as a whole;
  - (xi) entered into or changed the terms of any contract, agreement or arrangement with any director or senior executive of any member of the Wider NBF Group in any material respect;
  - (xii) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, trustee, administrator, administrative receiver or similar officer of all or any material part of its assets and revenues or any analogous or

- equivalent steps or proceedings in or under the laws of any jurisdiction having occurred or there having been appointed any analogous person in any jurisdiction which in any case is material in the context of the Wider NBF Group taken as a whole;
- (xiii) been unable, or admitted in writing that it is unable, to pay its debts generally or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business in any case which is or would be material in the context of the Wider NBF Group taken as a whole;
  - (xiv) made any alteration to its memorandum and articles of association which is material in the context of the Offer;
  - (xv) entered into any agreement, contract, commitment or arrangement which consents to or results in the restriction of the scope of the business of any member of the Wider NBF Group or any member of the Wider RGFC Group which, in any such case, is material in the context of the Wider NBF Group or the Wider RGFC Group taken as a whole, respectively;
  - (xvi) entered into any agreement, contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) to enter into any agreement, contract, commitment or arrangement or proposed or announced any intention to effect any of the transactions, matters or events referred to in this condition (g) which is material in the context of the Wider NBF Group taken as a whole;
  - (xvii)(other than in the ordinary course of business) waived or compromised any claim which is material in the context of the Wider NBF Group taken as a whole;
- (h) save as revealed and only to the extent material in any case in the context of the Wider NBF Group taken as a whole:
- (i) no material adverse change or deterioration having occurred in the business, assets, financial or trading position or profits of any member of the Wider NBF Group;
  - (ii) no claim being made, and no circumstances having arisen which might lead to a claim being made, under the insurance of any member of the Wider NBF Group which might have a material adverse effect on the Wider NBF Group;
  - (iii) no litigation, arbitration proceedings, prosecution or other legal proceedings or investigation having been instituted, announced, implemented or threatened by or against or remaining outstanding against any member of the Wider NBF Group or to which any member of the Wider NBF Group is or may become a party (whether as plaintiff, defendant or otherwise);
  - (iv) no contingent or other liability of any member of the Wider NBF Group having arisen or become apparent or increased which in any such case might reasonably be expected materially and adversely to affect any member of the Wider NBF Group;
  - (v) (other than as a result of the Offer) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Wider NBF Group which in any such case is material and adverse in the context of the Wider NBF Group taken as a whole;
- (i) save as revealed, RGFC not having discovered:
- (i) that any financial or business or other information publicly announced at any time by or on behalf of any member of the Wider NBF Group is misleading or contains a misrepresentation of any fact or omits to state a fact necessary to make the information contained therein not misleading (and which was not subsequently corrected before the date of publication of this document by disclosure either publicly or otherwise fairly in writing to RGFC) in each case to an extent that the effect of the inaccuracy or misrepresentation of fact or omission is to overstate the assets or understate the liabilities of the NBF Group to an extent which is material in the context of the Wider NBF Group as a whole;

- (ii) that any member of the Wider NBF Group and any partnership, company or other entity in which any member of the Wider NBF Group has a significant interest is subject to any liability (contingent or otherwise) which has not been publicly announced and which is material in the context of the Wider NBF Group taken as a whole; and

any information which affects the import of any information which has been revealed to an extent which is material and adverse in the context of the Wider NBF Group taken as a whole.

RGFC reserves the right to waive, in whole or in part, all or any of the above conditions apart from conditions (a) and (b). If RGFC is required by the Panel to make an offer for NBF Shares under the provisions of Rule 9 of the Code, RGFC may make such alterations to the above conditions, including condition (a), as are necessary to comply with the provisions of that Rule.

The Offer will lapse unless the conditions set out above (other than condition (a)) are fulfilled or (if capable of waiver) waived by RGFC no later than 21 days after whichever is the later of the First Closing Date or the date on which the Offer becomes or is declared unconditional as to acceptances, or such later date as the Panel may agree. RGFC shall be under no obligation to waive or treat as satisfied any of the conditions (c) to (i) by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that on such earlier date there are no circumstances indicating that any of such conditions may not be capable of fulfilment.

The Offer will lapse if the Acquisition is referred to the Competition Commission before the First Closing Date or the date on which the Offer becomes or is declared unconditional as to acceptances whichever is the later. In such circumstances, the Offer will cease to be capable of further acceptances and persons accepting the Offer and RGFC shall thereupon cease to be bound by acceptances delivered on or before the date on which the Offer so lapses.

- (j) the passing at the EGM of the resolution necessary to implement the Offer.
- (k) the Admission becoming effective.

## Part 2: Further terms of the Offer

Except when the context otherwise requires, references in Parts 2 and 3 of this Appendix 1 and in the Form of Acceptance: (i) to the “**Offer**” shall mean, separately, the Offer and any revision, variation or renewal thereof or extension thereto; (ii) to the “**Offer becoming unconditional**” shall include references to the Offer being declared unconditional; (iii) to the “**Offer becoming or being declared unconditional**” shall be construed as references to the acceptance condition becoming or being declared satisfied, whether or not any other condition thereof remains to be fulfilled; and (iv) to the “**acceptance condition**” shall mean the condition set out in paragraph (a) of Part 1 of this Appendix 1.

### 1. Acceptance period

- 1.1 The Offer will initially be open for acceptance until 1.00 p.m. on the First Closing Date. Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 days (or such lesser period as may be permitted by the Panel) from the date of the posting of any revised offer document to NBF Shareholders. Except with the consent of the Panel, no revision of the Offer may be made after 20 September 2005, or if later, the date falling 14 days prior to the last date on which the Offer can become unconditional.
- 1.2 The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on 4 October 2005 (or any earlier time and/or date beyond which RGFC has stated that the Offer will not be extended and in respect of which it has previously become unconditional, provided that RGFC reserves the right, with the permission of the Panel, to extend the Offer to a later time(s) and/or date(s).

Except with the consent of the Panel, RGFC may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received, or purchases of NBF Shares made, after 1.00 p.m. on 4 October 2005 (or any earlier time and/or date beyond which RGFC has stated that the Offer will not be extended and in respect of which it has not withdrawn that statement) and/or such later time(s) and/or date(s) as RGFC may, with the permission of the Panel, decide. For the purposes of the acceptance condition, if the Offer is extended beyond midnight on 4 October 2005, acceptances received by the Receiving Agent after 1.00 p.m. on the relevant date may (except where the Code otherwise permits) only be taken into account with the consent of the Panel.

- 1.3 If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated by or on behalf of RGFC that the Offer will remain open until further notice, then not less than 14 days’ notice will be given prior to the closing of the Offer to those NBF Shareholders who have not accepted the Offer.
- 1.4 If a competitive situation arises after a “no increase” or “no extension” statement has been given by or on behalf of RGFC in relation to the Offer (in each case determined by the Panel), RGFC may, if it specifically reserved the right to do so at the time such statement was made or otherwise with the consent of the Panel, withdraw such statement and be free to revise or extend the Offer if it compiles with the requirements of the Code and, in particular, if:
  - (A) it announces such withdrawal as soon as possible and, in any event, within four business days after the announcement of the competing offer and it gives notice to NBF Shareholders to that effect in writing as soon as practicable thereafter or, in the case of NBF Shareholders with registered addresses outside the United Kingdom or whom RGFC knows to be nominees, custodians or trustees holding NBF Shares for such persons, by announcement in the United Kingdom; and
  - (B) any NBF Shareholders who accepted the Offer after the date of the “no extension” and/or “no increase” statement are given a right of withdrawal in accordance with paragraph 3.3 of this Part 2.

RGFC may choose not to be bound by the terms of a “no increase” or “no extension” statement if, having reserved the right to do so at the time such statement is made, it posts an increased or improved

offer which is recommended for acceptance by the board of NBF or in other circumstances permitted by the Panel.

## **2. Announcements**

2.1 By 8.00 a.m. (London time) on the business day (“the relevant day”) following the day on which the Offer is due to expire or becomes unconditional or is revised or extended or such later time or date as the Panel may agree, RGFC will make an appropriate announcement and simultaneously inform the London Stock Exchange of the position. Such announcement will also state (unless otherwise permitted by the Panel) the total number of NBF Shares and rights over such NBF Shares (as nearly as practicable):

- (A) for which acceptances of the Offer have been received;
- (B) acquired or agreed to be acquired by or on behalf of RGFC or any persons deemed to be acting in concert with it for the purposes of the Offer during the Offer Period;
- (C) held prior to the Offer Period by or on behalf of RGFC or any person acting in concert with it for the purposes of the Offer; and
- (D) for which acceptances of the Offer have been received from any person deemed to be acting in concert with RGFC for the purposes of the Code in relation to the Offer;

and will specify the percentage of NBF Shares represented by each of these figures. Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than 8.00 a.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree) and the announcement will state the next expiry date (unless the Offer is then unconditional in which event the announcement may instead state that the Offer will remain open until further notice). In computing the number of NBF Shares represented by acceptances and/or purchasers, there may be included or excluded for announcement purposes, at the discretion of RGFC, subject to paragraph 5.13 of this Part 2, acceptances and purchases not complete in all respects, or which are subject to verification.

2.2 In this Appendix 1, references to the making of an announcement by RGFC include the release of an announcement to the press by public relations, consultants or by Numis Securities Limited on its behalf and the delivery by hand or telephone or facsimile or telex transmission or other electronic transmission of an announcement to the London Stock Exchange or a Regulatory Information Service. An announcement made otherwise than to the London Stock Exchange or a Regulatory Information Service will be notified simultaneously to a Regulatory Information Service.

## **3. Rights of withdrawal**

3.1 If RGFC, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree) with any of the other requirements specified in paragraph 2.1 of this Part 2, an accepting NBF Shareholder may (unless the Panel otherwise agrees) immediately thereafter withdraw his acceptance in respect of the Offer by written notice signed by such accepting NBF Shareholder (or his agent duly appointed in writing, evidence of whose appointment in a form reasonably satisfactory to RGFC is produced with the notice) given, by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH on behalf of RGFC. Subject to paragraph 1.2 of this Part 2, this right of withdrawal may be terminated not less than eight days after the relevant day by RGFC confirming, if that be the case, that the Offer is still unconditional, and complying with the other requirements specified in paragraph 2.1 of this Part 2. If any such confirmation is given, the first period of 14 days referred to in paragraph 1.3 of this Part 2 will run from the date of such confirmation and compliance.

3.2 If by 1.00 p.m. on 20 September 2005 (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting NBF Shareholder may withdraw his acceptance in respect

of the Offer by written notice received by the Receiving Agent on behalf of RGFC, at the address referred to in paragraph 3.1 of this Part 2, before the earlier of:

- (A) the time that the Offer becomes unconditional; and
  - (B) the final time for lodgment of acceptances which can be taken into account in accordance with paragraph 1.2 above.
- 3.3 If a “no increase” statement or a “no extension” statement (in each case as construed by the Panel) has been withdrawn in accordance with paragraph 1.4 of this Part 2, any NBF Shareholder who has accepted the Offer after the date of such statement may withdraw his acceptance thereafter in the manner referred to in paragraph 3.1 of this Part 2 not later than the eighth day after the date of posting of written notice of the withdrawal of such statement to the relevant NBF Shareholders.
- 3.4 In this paragraph 3 “written notice” (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant NBF Shareholder(s) or his or her agent(s), duly appointed in writing (evidence of whose appointment in a form satisfactory to RGFC is produced with the notice). Telex, facsimile, e-mail or other electronic transmission or copies will not be sufficient. No notice which is postmarked in, or otherwise appears to RGFC or its agents to have been sent from, the United States, Canada, Australia, the Republic of Ireland or Japan will be treated as valid.
- 3.5 Except as provided in this paragraph 3, acceptances of the Offer shall be irrevocable.

#### **4. Revision of the Offer**

- 4.1 Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or form of the consideration offered) and such revision represents on the date on which such revision is announced (on such basis as Numis Securities Limited may reasonably consider appropriate) an improvement (or no diminution) in the value of the consideration under the Offer as so revised compared with the consideration previously offered, the benefit of the revised Offer will, subject as provided in this paragraph 4 and in paragraph 5, be made available to NBF Shareholders who have accepted the Offer in its original or any previously revised acceptance and shall, subject as aforesaid, constitute the separate irrevocable appointment of RGFC and/or Numis Securities Limited and/or any director of RGFC and/or any director of Numis Securities Limited as his attorney and agent with authority to accept any such revised Offer on behalf of the previous acceptor and to execute on behalf of and in the name of such previous acceptor all such further documents (if any) as may be required to give effect to such acceptances.
- 4.2 Although no such revision is envisaged and notwithstanding paragraph 4.1, if any revised Offer provides for NBF Shareholders who accept it to elect for (or accept) alternative forms of consideration (including, without limitation, consideration either in cash or in shares or other securities of RGFC or any combination thereof) the acceptance by or on behalf of a previous acceptor of the Offer and/or an election by or on behalf of a previous acceptor under any alternative (in each case in its original or any previously revised form(s)) shall, subject as provided in paragraphs 4.3 and 4.4, constitute separate irrevocable authorities to RGFC, and/or Numis Securities Limited and/or any director of RGFC and/or any director of Numis Securities Limited as his attorney and/or agent and/or any director of RGFC and/or any director of Numis Securities Limited as his attorney and/or agent to make elections for and/or accept alternative forms of consideration on his behalf as such attorney and/or agent in his absolute discretion thinks fit and to take such steps as are necessary to give effect to such acceptances and/or elections.
- 4.3 Any acceptance or election pursuant to the authorities conferred by paragraphs 4.1 and 4.2 shall be conditional on RGFC or Numis Securities Limited or a director of RGFC or a director of Numis Securities Limited exercising the authority conferred by those paragraphs so as to ensure that, to the extent available under the terms of the revised Offer, all such steps are taken on behalf of such previous acceptor so as to ensure that he receives not less than he would have received in cash as a result of his

acceptance of the Offer in the form in which it was originally accepted or elected for by him or on his behalf.

- 4.4 The deemed acceptances and elections referred to in paragraphs 4.1 and 4.2 shall not apply and the powers of attorney and agency conferred by those paragraphs shall be ineffective to the extent that a previous acceptor shall lodge, within 14 days of the posting of the document pursuant to which a revised Offer referred to in paragraphs 4.1 and 4.2 is made available to NBF Shareholders, a form in which he validly elects (to the extent possible) to receive the consideration receivable by him under the revised Offer in some other manner than that set out in his original acceptance.
- 4.5 The powers of attorney and authority conferred by this paragraph 4 and any acceptance of a revised Offer pursuant to any of the foregoing shall be irrevocable unless and until the previous acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Part 2 and duly does so.
- 4.6 RGFC reserves the right to treat an executed Form of Acceptance relating to the Offer (in its original or in any previously revised form(s)) which is received after the announcement or issue of the Offer in any revised form and/or additional or varied arrangements as a valid acceptance in respect of the revised Offer and/or (where applicable) a valid election in relation to any of the forms of consideration referred to in paragraphs 4.1 and 4.2, as the case may be, and such acceptance shall constitute an authority and request in the form of paragraph 4.1 and 4.2 *mutatis mutandis* on behalf of the relevant NBF Shareholders.

## **5. General**

- 5.1 Except with the consent of the Panel, the Offer will lapse unless all the conditions relating to the Offer have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by RGFC in its reasonable opinion to be or remain satisfied, by the later of (i) midnight on 4 October 2005; (ii) midnight on the date which is 21 days after the date on which the Offer becomes unconditional; and (iii) such date as RGFC may, with the consent of the Panel, decide. If the Offer lapses for any reason, the Offer will cease to be capable of further acceptance and RGFC, NBF Shareholders and Numis Securities Limited will cease to be bound by prior acceptances.
- 5.2 The Offer will lapse if the Acquisition is referred to the Competition Commission before 3.30 p.m. (London time) on the First Closing Date or the date when the Offer becomes unconditional, whichever is the later.
- 5.3 If sufficient acceptances are received, RGFC intends to apply the provisions of sections 428 to 430F of the Act to acquire compulsorily any outstanding NBF Shares and to apply for the cancellation of NBF's admission to trading on AIM.
- 5.4 All communications, notices, share certificates, documents of title, other documents and remittances to be delivered by or sent to or from NBF Shareholders (or their designated agents) will be delivered or sent at their own risk.
- 5.5 The expression "Offer Period" when used in this document means, in relation to the Offer, the period commencing on 8 March 2005 and ending at whichever of the following times shall be the latest:
  - (A) 1.00 p.m. on the First Closing Date;
  - (B) the time at which the Offer lapses; and
  - (C) the time at which the Offer becomes unconditional.
- 5.6 All references in this document and in the Form of Acceptance to the First Closing Date shall (except in paragraph 5.5(A) of this Part 2 of Appendix 1 of this document and where the context otherwise requires), if the expiry date of the Offer is extended, be deemed to refer to the expiry date of the Offer as so extended.



- 5.7 Except with the consent of the Panel, settlement of the consideration to which any NBF Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which RGFC may otherwise be, or claim to be, entitled as against such NBF Shareholders and will be posted or settled not later than 14 days after the date on which the Offer becomes unconditional in all respects or 14 days after receipt of a valid and complete acceptance, whichever is the later. No consideration will be sent to an address in the United States, Canada, Australia, the Republic of Ireland or Japan.
- 5.8 The instructions, terms, authorities and provisions contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document shall have the same meanings when used in the Form of Acceptance, unless the context otherwise requires.
- 5.9 The Offer and all contracts arising from acceptances thereof and the Form of Acceptance and all actions taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law. Execution by or on behalf of a NBF Shareholder of a Form of Acceptance constitutes his submission, in relation to all matters arising out of or in connection with the Offer or the Form of Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of RGFC or Numis Securities Limited to bring any action, suit or proceeding arising out of or in connection with the Offer or the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- 5.10 The Offer is made by means of this document on 5 August 2005 and is capable of acceptance from that time. The Offer is made by means of this document and an advertisement to be placed in The Times promptly following the date of this document.
- 5.11 Any omission to dispatch this document or any notice required to be dispatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.
- 5.12 Without prejudice to any other provision in this Part 2 of Appendix 1, RGFC and Numis Securities Limited reserve the right to treat acceptances of the Offer as valid if received by or on behalf of them at any place or places otherwise than as stated herein or in the Form of Acceptance.
- 5.13 Notwithstanding the right reserved by RGFC to treat Forms of Acceptance as valid even though not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title or not accompanied by the relevant transfer to escrow, except as otherwise agreed by the Panel:
- (A) an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it;
  - (B) a purchase of NBF Shares by RGFC or its wholly owned subsidiaries or its nominee(s) (and, if RGFC is required to make an offer or offers under Rule 9 of the City Code, by a person acting in concert with RGFC for the purpose of such offer or its nominee(s)) will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it; and
  - (C) the Offer will not become unconditional until the Receiving Agent issues a certificate to RGFC and/or Numis Securities Limited stating the number of acceptances which have been received and the number of NBF Shares otherwise acquired (whether before or during the Offer Period) which comply with the provisions of this paragraph 5.13. Copies of such certificate will be sent to the Panel and Numis Securities Limited as soon as possible after it is issued.
- 5.14 If the Offer does not become unconditional in all respects or lapses,
- (A) the Form of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or such other methods as may be approved by the Panel) within 14 days of the Offer lapsing,

at the risk of the NBF Shareholder concerned, to the person or agent whose name and address is set out in Box 3 of if applicable Box 6, of the Form of Acceptance, or, if no address is set out, the first-named holder at his registered address outside the United States, Canada, Australia, the Republic of Ireland or Japan; and

- (B) the Receiving Agent will, immediately after the lapsing of the Offer (or within such longer time as the Panel may permit, not exceeding 14 days of the lapsing of the Offer) give instructions to CRESTCo to transfer all NBF Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the NBF Shareholders concerned.
- 5.15 No acknowledgement of receipt of any Forms of Acceptance, remittances, share certificate(s) and/or other document(s) of title will be given.
- 5.16 All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix 1 or in the Form of Acceptance are given by way of security for the performance of the obligations of the NBF Shareholder concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971 except in the circumstances when the donor of such power of attorney or authority is entitled to withdraw his acceptance in accordance with paragraph 3 above and duly does so or except as specified in paragraph 4.4 above.
- 5.17 The Offer extends to those persons not resident in the United Kingdom to whom this document, the Form of Acceptance and any related documents may not be dispatched or by whom any such documents may not be received. Any such persons may collect copies of those documents from Numis Securities Limited at Cheapside House, 138 Cheapside, London EC2V 6LH, or from the Receiving Agent at its address given in paragraph 3.1 above. RGFC and Numis Securities Limited reserve the right to notify any matter, including the making of the Offer, to all or any NBF Shareholders with registered address(es) outside the United Kingdom or whom RGFC knows to be nominees, trustees or custodians for such persons, by announcement or by paid advertisement in a newspaper published and circulated in the United Kingdom, in which event such notice shall be deemed to have been sufficiently given, notwithstanding any failure by any such NBF Shareholders to receive such notice, and all references in this document to notice in writing (except in paragraph 3.4 above) shall be construed accordingly.
- 5.18 All references in this document to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- 5.19 If RGFC is required by the Panel to make an offer for NBF Shares under the provisions of Rule 9 of the Code, RGFC may make such alterations to the conditions of the Offer as are necessary to comply with the provisions of that Rule.
- 5.20 In relation to any acceptance of the Offer in respect of a holding of NBF Shares which are in CREST, RGFC reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided such alteration, addition or modification is consistent with the requirements of the Code or is otherwise made with the consent of the Panel.

## **6. Overseas Shareholders**

- 6.1 The making of the Offer to Overseas Shareholders or in jurisdictions outside the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities. Any Overseas Shareholder will also be responsible for any payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction by whomsoever payable and RGFC and Numis Securities Limited shall be entitled to be fully indemnified and held harmless by

such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay.

- 6.2 In particular, the Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, the Republic of Ireland or Japan, or by use of the mails of, or by any means of instrumentality of inter-state or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, the Republic of Ireland or Japan. This includes, but is not limited to, post, facsimile transmission, telex and telephone. The Offer cannot be accepted by any such use, means of instrumentality from within the United States, Canada, Australia, the Republic of Ireland or Japan. Accordingly, copies of this document, the Form of Acceptance and any related offering documents are not being, directly or indirectly, mailed or otherwise distributed or sent in or into the United States, Canada, Australia, the Republic of Ireland or Japan, including to NBF Shareholders with registered addresses in the United States, Canada, Australia, the Republic of Ireland or Japan or to persons whom RGFC knows to be nominees, trustees or custodians holding NBF Shares for such persons. Persons receiving such documents (including without limitation, custodians, nominees and trustees) should not, directly or indirectly, distribute or send them in, into or from the United States, Canada, Australia, the Republic of Ireland or Japan or use such mails or any such means or instrumentality or facility in connection with the Offer and doing so will invalidate any related purported acceptance of the Offer even if mailed from outside the United States, Canada, Australia, the Republic of Ireland or Japan. Persons wishing to accept the Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the Offer. Envelopes containing Forms of Acceptance must not be postmarked in the United States, Canada, Australia, the Republic of Ireland or Japan or otherwise dispatched from the United States, Canada, Australia, the Republic of Ireland or Japan and all acceptors must provide addresses outside the United States, Canada, Australia, the Republic of Ireland or Japan for the remittance of any cash, return of Forms of Acceptance, share certificate(s) and/or other document(s) of title.
- 6.3 If, in connection with the making of the Offer, notwithstanding the restrictions described above, any person who (including without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance of any related offering documents in, into or from the United States, Canada, Australia, the Republic of Ireland or Japan or uses the mails of, or any means of instrumentality (including without limitation, facsimile transmission, telex and telephones) of inter-state or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, the Republic of Ireland or Japan in connection with such forwarding, such person should:
- (A) inform the recipient of such fact;
  - (B) explain to the recipient that such action will invalidate any purported acceptance by the recipient; and
  - (C) draw the attention of the recipient to this paragraph 6.
- 6.4 A NBF Shareholder will be deemed not to have accepted the Offer if:
- (A) he puts “No” in Box 5 of the Form of Acceptance and thereby does not give the representations and warranties set out in paragraphs 1.2 and 1.3 of Part 3 of this Appendix 1; or
  - (B) he completes Box 3 of the Form of Acceptance with an address in the United States, Canada, Australia, the Republic of Ireland or Japan or has a registered address in the United States, Canada, Australia, the Republic of Ireland or Japan and in either case he does not insert in Box 6 of the Form of Acceptance the name and address of a person outside the United States, Canada, Australia, the Republic of Ireland or Japan to whom he wishes the consideration to which he is entitled under the Offer to be sent, subject to this paragraph 6 and applicable laws; or
  - (C) he inserts in Box 6 of the Form of Acceptance the name and address and/or telephone number of a person or agent in the United States, Canada, Australia, the Republic of Ireland or Japan to whom he wishes the consideration to which he is entitled under the Offer to be sent or a telephone

number in the United States, Canada, Australia, the Republic of Ireland or Japan in the event of queries; or

- (D) any Form of Acceptance received from him is received in an envelope postmarked in, or which otherwise appears to RGFC or its agents to have been sent from the United States, Canada, Australia, the Republic of Ireland or Japan.

RGFC reserves the right, in its absolute discretion, to investigate, in relation to any acceptance, whether the representations or warranties referred to in paragraphs 1.2 and 1.3 of Part 3 of this Appendix 1 were given truthfully by such NBF Shareholder and, if such investigation is undertaken and as a result RGFC determines that such representation and warranty was not so given, such acceptance shall not be valid.

- 6.5 The provisions of this paragraph 6 and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific NBF Shareholders or on a general basis by RGFC in its absolute discretion.

**Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position you should consult your professional adviser in the relevant territory.**

**Part 3: Form of Acceptance**

1. Each NBF Shareholder by whom, or on whose behalf, a Form of Acceptance is executed, irrevocably undertakes, represents, warrants and agrees to and with RGFC and Numis Securities Limited (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

1.1 that, subject to paragraphs 3 and 6 of Part 2 of Appendix 1, the execution of a Form of Acceptance shall constitute:

- (A) an acceptance or deemed acceptance of the Offer in respect of the number of NBF Shares inserted, or deemed to be inserted, in Box 1; and
- (B) if Box 1 is left blank or a greater number than such NBF Shareholder's registered holding appears in Box 1, an acceptance by the NBF Shareholder of the Offer in respect of the total number of NBF Shares registered in his, her or its name in each case;
- (C) an authority to RGFC or Numis Securities Limited or either of their agents to execute any further documents and give any further assurances which may be required in connection with any of the foregoing and an undertaking to execute any further documents and give any further assurances which may be required to enable RGFC to obtain the full benefit of this Part 3 and/or to perfect any of the authorities expressed to be given hereunder;

in each case on and subject to the terms and conditions set out in this document and the Form of Acceptance;

1.2 that, unless "No" is inserted or deemed to be inserted in Box 5 of the Form of Acceptance, such shareholder is not a person located in the United States, Canada, Australia, the Republic of Ireland or Japan and is not acting on behalf of a person located in the United States, Canada, Australia, the Republic of Ireland or Japan;

1.3 (A) that such NBF Shareholder has not received or sent copies or originals of this document, the Form of Acceptance, or any related offering documents in, into or from the United States, Canada, Australia, the Republic of Ireland or Japan and has not otherwise utilised in connection with the Offer, directly or indirectly, the United States mails or any means or instrumentality (including, without limitation, the post, facsimile transmission, telex, e-mail and telephone) of United States interstate or foreign commerce or any facilities of a United States national securities exchange, and the Form of Acceptance has not been mailed or otherwise sent in, into or from the United States, Canada, Australia, the Republic of Ireland, or Japan and such NBF Shareholder is accepting the Offer from outside the United States, Canada, Australia, the Republic of Ireland and Japan; and

(B) that he is the beneficial holder of the NBF Shares tendered in the Offer or, if he is not the beneficial holder of such NBF Shares, either (i) he has sole investment discretion with respect to such NBF Shares or (ii) he is not holding such NBF Shares for the account or benefit of a person located in the United States, Canada, Australia, the Republic of Ireland or Japan;

1.4 that the NBF Shares in respect of which the Offer is accepted or deemed to be accepted are transferred fully paid and free from all liens, charges, equitable interest, encumbrances, rights of pre-emption and other third party rights or interests and together with all rights attaching thereto on or after the announcement date, including the right to receive and retain all dividends and other distributions, if any, declared, made or paid after the date of announcement of the Offer;

1.5 that the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting NBF Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of each of RGFC and Numis Securities Limited or any of their respective directors and/or agents as such NBF Shareholder's attorney and/or agent and an irrevocable instruction to the attorney and/or agent to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of

the attorney and/or agent in relation to the NBF Shares referred to in paragraph 1.1 of this Part 3 in favour of RGFC or such other person or persons as RGFC or its agents may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent together with the certificate(s) and/or other document(s) of title relating to such NBF Shares for registration within six months of the Offer becoming unconditional in all respects and to complete, execute and do all such other documents, acts and things as may in the opinion of the attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in RGFC or its nominee(s) the NBF Shares as aforesaid;

- 1.6 that the execution of the Form of Acceptance constitutes the irrevocable appointment of the Receiving Agent as such NBF Shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting NBF Shareholder not having validly withdrawn his acceptance:
- (A) to transfer to itself (or to such other person or persons as RGFC or its agents may direct) by means of CREST all or any of the Relevant NBF Shares (but not exceeding the number of NBF Shares in respect of which the Offer is accepted or deemed to be accepted); and
  - (B) if the Offer does not become unconditional in all respects, to give instructions to CRESTCo, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), to transfer all Relevant NBF Shares to the original available balance of the accepting NBF Shareholder.

For these purposes, "Relevant NBF Shares" means NBF Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in paragraph 18 of the letter from Numis Securities Limited contained in Part 2 of this document and where the transfer(s) to escrow are or were made in respect of NBF Shares held under the same member account ID and participant ID as the member account ID and participant ID relating to the Form of Acceptance concerned (but irrespective of whether or not any Form of Acceptance reference number, or a Form of Acceptance reference number corresponding to that appearing on the Form of Acceptance concerned, was included in the TTE instruction concerned);

- 1.7 that he will take (or procure to be taken) the action set out in paragraph 18 of the letter from Numis Securities Limited contained in Part 2 of this document to transfer all NBF Shares in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn held by him in uncertificated form to an escrow balance as soon as possible and in any event so that the transfer to escrow settles within six months of the Offer becoming unconditional in all respects;
- 1.8 that if, for any reason, any NBF Shares in respect of which a transfer to an escrow balance has been effected in accordance with paragraph 18 of the letter from Numis Securities Limited contained in Part 2 of this document are converted to certificated form, he will (without prejudice to paragraph 1.6 of this Part 3) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such NBF Shares as so converted to the Receiving Agent at the address referred to in paragraph 18 of the letter from Numis Securities Limited contained in Part 2 of this document or to RGFC at its registered office or as RGFC or its agents may direct;
- 1.9 that the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects and to an accepting NBF Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests:
- (A) to NBF or its agents to procure the registration of the transfer of the NBF Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to RGFC or as it may direct;

- (B) if the NBF Shares are in certificated form or if either of the provisos to paragraph 1.9(C) apply, to RGFC or its agents or to Numis Securities Limited or its agents to procure the despatch by post (or by such other method as may be approved by the Panel) of a definitive certificate to which an accepting NBF is entitled at the risk of such shareholder, to the person or agent whose name and address outside the United States, Canada, Australia, the Republic of Ireland and Japan is set out in Box 3 and/or Box 6 or, if no such address is set out, to the first-named holder at his registered address outside the United States, Canada, Australia, the Republic of Ireland and Japan;
  - (C) if the NBF Shares concerned are in uncertificated form, to RGFC or its agents to procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the NBF shareholders entitlement to which an accepting NBF becomes entitled pursuant to his acceptance of the Offer;
  - (D) to RGFC or its agents to record and act upon any instructions (unless and until revoked) with regard to notices or dividend mandates which have been recorded in the records of NBF in respect of such NBF's holding(s) of NBF Shares to which such Form of Acceptance relates;
- 1.10 that the execution of the Form of Acceptance constitutes a separate authority to RGFC and Numis Securities Limited and any director of RGFC or Numis Securities Limited and/or their respective agents within the terms of paragraph 4 of Part 2 of this Appendix 1;
- 1.11 that, subject to the Offer becoming unconditional in all respects (or in such other circumstances as RGFC may request and the Panel may permit) and pending registration, the execution of a Form of Acceptance in respect of the NBF Shares comprised or deemed to be comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
- (A) entitles RGFC or its agents to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting of NBF or of any class of its shareholders) attaching to any such NBF Shares;
  - (B) constitutes an authority to NBF or its agents from such NBF to send any notice, warrant, document or other communication which may be required to be sent to him as a member of NBF (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such NBF Shares into certificated form) to RGFC at its registered office;
  - (C) constitutes the irrevocable appointment of any director of RGFC or Numis Securities Limited to sign such documents and do things as may in the opinion of such attorney seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the NBF Shares held by such NBF, including, without limitation, to sign any consent to short notice of a general meeting on his behalf and/or to attend and/or execute a form of proxy in respect of such NBF Shares appointing any person nominated by RGFC to attend general meetings and separate class meetings of NBF or its members (or any of them) and any adjournment thereof and to exercise the votes attaching to such NBF Shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding conditions of the Offer; and
  - (D) constitutes the agreement of such NBF not to exercise any of such rights without the consent of RGFC and the irrevocable undertaking of such NBF not to appoint a proxy or representative to attend any such general meeting or separate class meeting provided that this authority will cease to be valid, if the acceptance is validly withdrawn in accordance with paragraph 3 of Part 2 of this Appendix 1;
- 1.12 that he will deliver to Capita Registrars at the address referred to in paragraph 3.1 of Part 2 of this Appendix 1, his share certificate(s) and/or other document(s) of title in respect of all NBF Shares referred to in paragraph 1.1 of this Part 3 which are in certificated form, or an indemnity acceptable to RGFC in lieu thereof, as soon as possible and in any event within six months of the Offer becoming or being declared unconditional in all respects and will execute any further

documents, do such acts and give further assurances that may reasonably be required in connection with his acceptance of the Offer in respect of the NBF Shares so referred to;

- 1.13 that, if he accepts the Offer and does not validly withdraw such acceptance, he will do all such acts and things as shall be necessary or expedient to vest in RGFC or its nominee(s) or such other persons as it may decide the NBF Shares referred to in paragraph 1.1 above and all such acts and things as may be necessary or expedient to enable the Receiving Agent to perform its functions as escrow agent for the purposes of the Offer;
  - 1.14 that he agrees to ratify each and every act which may be done or effected by RGFC or Numis Securities Limited or any director of RGFC or any director of Numis Securities Limited or their respective agents or NBF or its agents, as the case may be, in the exercise of any of its or his powers and/or authorities hereunder;
  - 1.15 that the deemed acceptances, elections and authorities referred to in such paragraph shall, subject to the rights of withdrawal set out in paragraph 3 of Part 2 of this Appendix 1, be irrevocable;
  - 1.16 that the execution of the Form of Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the courts of England;
  - 1.17 that he does not expect Numis Securities Limited to have any duties or responsibilities towards him comparable or similar to those imposed by the Financial Services Authority's rules requiring best execution and suitability and that in respect of the Offer, he is not and will not be a customer of Numis Securities Limited;
  - 1.18 that if any provision of Part 2 of this Appendix 1 or this Part 3, shall be unenforceable or invalid or shall not operate so as to afford RGFC or Numis Securities Limited and/or their respective directors and agents the full benefit of the powers of attorney and authorities expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents that may reasonably be required or desirable to enable RGFC and/or Numis Securities Limited and/or any director and/or agent of either of them to secure the full benefits of Part 2 and this Part 3; and
  - 1.19 that, on execution, the Form of Acceptance shall take effect as a deed.
2. References in this Part 3 to a NBF Shareholder shall include references to the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this Part 3 shall apply to them jointly and to each of them.



## APPENDIX II

### PROFIT FORECAST OF RGFC

#### 1. Forecast

RGFC's trading statement announced on 27 May 2005 stated that: "On the basis of trading in the year to date (excluding one-off reorganisation costs and taking advantage of an associated tax benefit) the Directors consider that the Group is developing well and is at the present time in line to meet market earnings expectations for the year." (the "Profit Forecast")

This statement constitutes a profit forecast for the purpose of the City Code.

Consistent with these statements and on the basis of the assumptions set out below, the Directors of RGFC have reviewed the forecast profit of RGFC for the year to 31 December 2005 in comparison with market earnings expectations.

#### 2. Bases and Assumptions

RGFC's current financial year ends on 31 December 2005. On 27 May 2005 RGFC released its trading update. This stated that on the basis of trading in the year to date (excluding one-off reorganisation costs and taking advantage of an associated tax benefit) the Directors consider that the Group was developing well and at that time was in line to meet market earnings expectations for the year. At that time the market expectation was normalised profit after tax, excluding exceptional items and goodwill amortisation, would be approximately £2.5 million. This figure comprised profit before tax, excluding exceptional items of £1.9 million and goodwill amortisation of £1.6 million, of approximately £3 million with a respective tax charge of £0.5 million.

In the trading update the Group announced that following an unsuccessful acquisition it had reviewed the business prospects of the Coolfresh division and believed that the unit would continue to operate at a loss in the short term and prove to have a negative cash effect on the Group. Consequently the Group announced that the division would be closed in June 2005. This had no effect on the market expectations set out above and the Company is still in line to meet such expectations.

#### Bases

The forecast has been prepared using the accounting policies normally adopted by RGFC. The forecast is based upon:

- (a) the results shown by the unaudited management accounts for the 5 months ended 31 May 2005; and
- (b) management's forecast for the 7 months ending 31 December 2005.

#### Assumptions

The forecast has been prepared on the basis of the following assumptions, all of which are factors outside the control or influence of the Directors:

- (a) there will be no major disruption to the business of RGFC by reason of industrial disputes, business failures, natural disasters or acts of terrorism;
- (b) there will be no significant changes in legislation or government or regulatory policy which will affect RGFC;
- (c) there will be no material changes in interest, inflation or exchange rates; and
- (d) there will be no significant change in the prevailing economic conditions in the markets or locations in which RGFC operates.

**Letter from Horwath Clark Whitehill LLP**



The Directors  
The Real Good Food Company plc (“RGFC”)  
Hopton Industrial Estate  
London Road  
Devizes  
Wiltshire SN10 2EU

and

The Directors  
Numis Securities Limited  
Cheapside House  
138 Cheapside  
London EC2V 6LH

5 August 2005

Dear Sirs

**The Real Good Food Company plc**

We have reviewed the basis of compilation and the accounting policies for the Profit Forecast of RGFC (the “Company”) and its subsidiary undertakings (together the “Group”) for the year ending 31 December 2005, as set out and defined in this document on page 49 and for which the directors of the Company (the “Directors”) are solely responsible. For completeness we set this out below: “On the basis of trading in the year to date (excluding one-off reorganisation costs and taking advantage of an associated tax benefit) the Directors consider that the Group is developing well and is at the present time in line to meet market earnings expectations for the year.” At that time the market expectation for the year was normalised profit after tax, excluding exceptional items and goodwill amortisation, of approximately £2.5 million.

The Profit Forecast of the Group includes the results shown by the unaudited management accounts of the Group for the five months ended 31 May 2005 and management’s forecast for the seven months ending 31 December 2005.

We conducted our work in accordance with the Statements of Investment Circular Standards issued by the Auditing Practices Board of the United Kingdom.

In our opinion, the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis stated and the basis of the assumptions set out in this document on page 49 made by the Directors and is presented on a basis consistent with the accounting policies of the Group.

Yours faithfully

**Horwath Clark Whitehill LLP**

**Letter from Numis**

Numis Securities Limited  
Cheapside House  
138 Cheapside  
London EC2V 6LH

Registered in England and Wales  
No 2285918  
Authorised and regulated by  
Financial Services Authority

The Directors  
The Real Good Food Company plc (“RGFC”)  
Hopton Industrial Estate  
London Road  
Devizes  
Wiltshire SN10 2EU

5 August 2005

Dear Sirs

**Report in connection with the offer by RGFC for NBF**

We refer to the statement regarding meeting market earnings expectations for the year ending 31 December 2005 of RGFC set out and defined on page 49 of the offer document of today’s date. At that time the market expectation for the year was normalised profit after tax, excluding exceptional items and goodwill amortisation, of approximately £2.5 million.

We have discussed the Profit Forecast, together with the bases and assumptions upon which it has been made (as set out on page 49 of this document), with you and Horwath Clark Whitehill LLP, RGFC’s statutory auditors, and have considered the letter of today’s date addressed to you and to us from them regarding the accounting policies adopted and basis of calculation for the Profit Forecast. We have relied on the accuracy and completeness of all the financial and other information provided by RGFC, or otherwise discussed with us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

On the basis of these discussions and having regard to the letter from Horwath Clark Whitehill LLP we consider that the Profit Forecast, for which the directors of RGFC are solely responsible, has been made with due care and consideration.

This report is provided to you solely in connection with Rules 28.3(b) and 28.4 of the City Code on Takeovers and Mergers and for no other purpose.

Yours faithfully

Numis Securities Limited

## APPENDIX III

### Additional Information

#### 1. Responsibility

The RGFC Directors (whose names are set out in paragraph 2.1 below) accept responsibility for all the information contained in this document, other than that relating to NBF, the NBF Directors and members of their immediate families and related trusts. Subject as aforesaid, to the best of knowledge and belief of the RGFC Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The NBF Directors (whose names are set out in paragraph 2.1 below) accept responsibility for all the information contained in this document relating to NBF, themselves and members of their immediate families and related trusts. Subject as aforesaid, to the best of knowledge and belief of the NBF Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors

2.1 The RGFC Directors and their functions are set out below:

Pieter Willem Totté	<i>Executive Chairman</i>
Lee Mark Camfield	<i>Finance Director and Company Secretary</i>
John Frederick Gibson	<i>Chief Executive Officer</i>
Peter Cecil Salter	<i>Non-Executive Director</i>
Richard Gradowski-Smith	<i>Non-Executive Director</i>
James Campbell Mitchell	<i>Non-Executive Director</i>

Each of the above RGFC Directors has a business address at Hopton Industrial Estate, London Road, Devizes, Wiltshire SN10 2EU which is the registered office and principal place of business of RGFC.

2.2 The NBF Directors and their functions are set out below:

Patrick George Ridgwell	<i>Chairman</i>
Christopher Owen Thomas	<i>Chief Executive</i>
Simon Gregory Barrell	<i>Finance Director</i>
Jeremy Hamer	<i>Non-Executive Director</i>
Anthony Patrick Ridgwell	<i>Non-Executive Director</i>

Each of the above NBF Directors has a business address at International House, 1 St Katharine's Way, London E1W 1XB which is the registered office and principal place of business of NBF.

#### 3. Market quotations

##### *NBF Shares*

The following table shows the Closing Price for NBF Shares, as derived from the Alternative Investment Market section of the Daily Official List, on 7 March (the last dealing day before the commencement of the Offer Period), the first dealing day of each of the six months from 1 March to 1 August 2005 inclusive and on 4 August (the latest practicable date prior to the publication of this document):

<i>Date</i>	<i>Closing Price NBF Shares</i>
1 March	164.0p
7 March	180.0p
1 April	187.5p
1 May	187.5p
1 June	171.5p
1 July	182.0p
1 August	181.0p
4 August	177.5p

#### *RGFC Shares*

The following table shows the middle market quotations for RGFC Shares, as derived from the Alternative Investment Market section of the Daily Official List, on the first dealing day in each of the six months from 1 March to 1 August 2005 inclusive and on 4 August 2005 (being the last dealing day prior to the date of publication of this document);

<i>Date</i>	<i>Closing Price RGFC Shares</i>
1 March	159.5p
1 April	149.5p
1 May	143.5p
1 June	138.5p
1 July	137.0p
1 August	120.0p
4 August	117.5p

#### **4. Disclosure of interests, undertakings and dealings**

(a) For the purposes of this paragraph 4:

- (i) “disclosure period” means the period commencing on 8 March 2004 (being the date 12 months before the commencement of the Offer Period) and ending on 4 August 2005 (the latest practicable date before the posting of this document);
- (ii) “relevant securities” means NBF Shares, including any securities convertible into, rights to subscribe for, or options (including traded options) in respect of, or derivatives referenced to NBF Shares;
- (iii) “arrangement” includes indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature which is or may be an inducement to deal or refrain from dealing; and
- (iv) “associate” means:
  - A. subsidiaries and associated companies of RGFC or, as the case may be, NBF and companies of which any such subsidiaries or associated companies are associated companies;
  - B. banks, financial and other professional advisers (including stockbrokers) to RGFC or, as the case may be, NBF, or any company covered in (A) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
  - C. the RGFC Directors or, as the case may be, the NBF Directors or the directors of any company covered in (A) above (together in each case with their immediate families and related trusts); and
  - D. the pension funds of RGFC or, as the case may be, NBF, or of any company covered in (A) above.

References to “bank” do not apply to a bank whose sole relationship with RGFC or NBF or a company covered in (A) above is the provision of normal commercial banking services or activities in connection with the Offer, such as handling acceptances and other registration work.

Ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status and “control” means a holding or aggregated holding of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings give *de facto* control.

(b) Shareholding and dealings in relevant securities:

(i) Save as set out below:

- A. neither RGFC nor NBF nor any RGFC Directors or NBF Directors or any member of their immediate family or their connected persons (within the meaning of section 346 of the Companies Act), nor any persons acting in concert with RGFC or NBF or their immediate families or related trusts or any of their connected persons nor any person who prior to the publication of this document committed himself to accept the Offer (including exempt market-makers), owns or controls or (in the case of a RGFC Director or a NBF Director) is interested in any relevant securities, nor has any such person dealt for value in such securities during the disclosure period;
- B. neither any subsidiary of NBF, nor any pension fund of any member of the NBF Group, nor any bank, financial or other professional adviser to NBF (including stockbrokers but excluding exempt market-makers), including any person controlling, controlled by or under the same control as any such bank, financial or other professional adviser nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) connected with NBF or any bank, stockbroker, financial or other professional adviser to NBF, owns or controls any relevant securities, nor has any such person dealt for value therein during the disclosure period;
- C. neither RGFC nor NBF nor any person acting in concert with RGFC or NBF or any associate of RGFC or NBF has any arrangement with any person in relation to relevant securities; and
- D. neither NBF nor any NBF Directors or any member of their immediate family or their connected persons (within the meaning of section 346 of the Companies Act) owns or controls or (in the case of a NBF Director) is interested in any RGFC Shares or any securities convertible into rights to subscribe for, or options (including traded options) in respect of, or derivatives referenced to RGFC Shares.

(ii) At the close of business on 4 August 2005 (being the last dealing day prior to the posting of this document), the interests of NBF Directors and their immediate families (all of which are beneficial unless otherwise stated) in NBF Shares were as follows:

<i>Name</i>	<i>Number</i>
Patrick Ridgwell	13,736,361*
Christopher Thomas	100,002
Simon Barrell	100,000
Anthony Ridgwell	13,636,363*

\*Patrick Ridgwell and Anthony Ridgwell have non-beneficial interests in 13,636,363 shares, which are held by NB Ingredients, a wholly owned subsidiary of Napier Brown Holdings.

In addition, Simon Barrell and Christopher Thomas are beneficially interested in 1,190 and 100 NBF Shares, respectively, under the NBF SIP.

- (iii) At the close of business on 4 August 2005 (being the last dealing day prior to the posting of this document), the NBF Directors and their immediate families held options and warrants over NBF Shares as follows:

<i>Name</i>	<i>No. of NBF Shares over which options or warrants held</i>	<i>Exercise Price</i>	<i>Earliest Date for Exercise</i>	<i>Latest Date for Exercise</i>
Christopher Thomas	27,272 Approved options	£1.10	15/12/2006	15/12/2013
	200,000 Unapproved options	£1.10	15/12/2006	15/12/2013
	227,273 Warrants	£1.10	18/12/2003	18/12/2013
Simon Barrell	27,272 Approved options	£1.10	15/12/2006	15/12/2013
	90,909 Unapproved options	£1.10	15/12/2006	15/12/2013
	68,273 Warrants	£1.10	18/12/2003	18/12/2013
Jeremy Hamer	50,000 Warrants	£1.387	26/4/2004	26/4/2014

- (iv) As at 4 August 2005 (being the last dealing day prior to the posting of this document), the interests of NBF Shareholders who have given irrevocable undertakings to accept the Offer and the number of NBF Shares comprised in the undertakings are as follows:

<i>Shareholder</i>	<i>Number of NBF Shares</i>	<i>Per cent. of existing issued share capital of NBF</i>
NB. Ingredients	13,636,363	48.27
Patrick Ridgwell	99,998	0.35
Christopher Thomas*	100,002	0.35
Simon Barrell*	100,000	0.35
Jeremy Hamer*	9,090	0.03
Agman Holdings Limited*	2,790,697	9.88
Rathbone Nominees Limited	803,409	2.84
Rathbone Income and Growth Fund	272,727	0.97
Rathbone Smaller Companies Fund	363,637	1.28
Rathbone Special Situations Fund	454,545	1.61
Rathbone Spenser Fund	72,727	0.26
Citygate Nominees	923,635	3.27
Brewin Dolphin Securities Ltd.	644,890	2.28
JM Finn Nominees Limited	140,600	0.50
David Reynolds	153,485	0.54
Marcus Reynolds	149,985	0.53
P Reynolds	39,700	0.14
C Reynolds	32,000	0.11
Kate Reynolds	15,950	0.05
Charles and Kate Reynolds	3,940	0.01
Weighbridge Trust Limited as trustees of the Rowan Trust	90,000	0.32

The undertakings marked with an \* will cease to be binding in the event of a higher or competing offer, or if the Offer lapses or is withdrawn. All other undertakings will cease to be binding only if the Offer lapses or is withdrawn.

- (v) Save as disclosed in paragraph 4(b)(iii) above, as at 4 August 2005 none of the persons referred to in paragraphs (ii) to (iv) above held options under the NBF Share Option Schemes or NBF Warrants.

- (vi) Dealings for value in relevant securities by the persons referred to in paragraphs (ii) to (iii) during the disclosure period were as follows:

<i>Name</i>	<i>Nature of Transaction</i>	<i>Date</i>	<i>Number of NBF Shares</i>	<i>Price (p)</i>
Simon Barrell	Dividend reinvestment under the NBF SIP	31/1/2005	7	163.875
Simon Barrell	Sale of RGSC Shares	10/12/2004	5000	145.31

- (c) NBF has not redeemed or purchased any NBF Shares or any securities convertible into, rights to subscribe for or options in respect of, or derivatives referenced to, NBF Shares during the disclosure period.

## 5. Service agreements

There are no service agreements in force between any Director or proposed NBF Director or any of its subsidiaries which do not expire or cannot be terminated by NBF or the relevant subsidiary within the next 12 months without payment of compensation (other than statutory compensation).

## 6. Material contracts

### 6.1 Material contracts relating to NBF

Set out below are summaries of:

- (i) those material contracts, other than those entered into in the ordinary course of business, which NBF or any member of the NBF Group is a party, for the two years immediately preceding the date of this document; and
- (ii) any other contracts (not being entered into in the ordinary course of business) entered into by any member of the NBF Group which contains any provision under which any member of the NBF Group has any obligation or entitlement which is material to the NBF Group as at the date of this document.

1. A Placing Agreement dated 16 December 2003 between NBF (1) the NBF Directors (2) John East & Partners (3) and J M Finn (4) pursuant to which:

- (i) John East & Partners agreed to act as nominated adviser to NBF; and
- (ii) J M Finn agreed to use reasonable endeavours to procure subscribers for the 9,090,909 placing shares proposed to be issued by NBF at 110 pence per share.

The Placing Agreement contained indemnities and warranties from NBF and warranties from the NBF Directors in favour of John East & Partners and J M Finn.

The NBF Directors, on behalf of themselves, their families and others deemed to be connected with them, undertook not to dispose of any ordinary shares of NBF, save in the event of an intervening court order, a takeover becoming or being declared unconditional, or as regards an individual, in the event of the death of an individual and save also pursuant to a sale to meet any liability incurred under the Placing Agreement, for a period of 12 months following Admission except with the prior written consent of John East & Partners and J M Finn and for a further period of 12 months, except with the prior written consent of John East & Partners and J M Finn which consent shall not be unreasonably withheld or delayed and then only through J M Finn or the successor to the position of broker to NBF from time to time. Fees were paid under the Placing Agreement as follows: £125,000 was paid to John East & Partners; £278,669.11 was paid to JM Finn (being 3 per cent. of total fees raised) together with a further payment of £35,000; and 456,545 warrants in NBF were issued to JM Finn at a price of £1.10 per share.



2. A lock-in and orderly market undertaking dated 16 December 2003 granted in favour of the NBF, John East & Partners and J M Finn by NB. Ingredients. Pursuant to the terms of this undertaking, NB. Ingredients undertook (subject to certain limited exceptions including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of NBF), not to dispose of the ordinary shares held by it in NBF or persons connected with it (or any interest therein) for a period of 12 months following Admission nor for a period of 12 months thereafter without the prior written consent of John East & Partners and J M Finn, such consent not to be unreasonably withheld or delayed, and then only on an orderly market basis through J M Finn or any other broker for the time being to NBF.
3. On 12 December 2003 NBF entered into an agreement with NB. Ingredients, the trustees of a settlement know as RGST made pursuant to a deed of appointment dated 11 September 1998 between Patrick Ridgwell and his wife (“RGST”) and Napier Brown Holdings (“the Acquisition Agreement”) pursuant to which NBF acquired the entire issued share capitals of Napier Brown & Company, Sefcol and Garrett.

The initial consideration payable pursuant to the Acquisition Agreement of £35 million was satisfied as to £15 million by the issue of 13,636,363 ordinary shares of NBF to NB. Ingredients with the balance of £20 million paid in cash.

Further deferred consideration, of £15,774,000 was satisfied by the issue by NBF of a £6,500,000 loan note, a £6,500,000 first convertible loan note and £2,774,000 second convertible loan note to NB. Ingredients.

The convertible loan notes issued in respect of the deferred consideration bear interest on the principal sums at a rate of LIBOR plus 0.5 per cent. Interest is paid and compounded on the relevant redemption dates contained in the loan notes. The loan note holders have the right to convert their convertible loan notes into ordinary shares in NBF at the prevailing market price (ranking *pari passu* with the then existing ordinary shares) by extraordinary resolution on the failure of NBF to pay any principal or interest within 15 days of the due date or to extend the relevant due date for a period of six months. In the event that NBF has sufficient available cash it shall on any due date make a partial payment to the holders and the conversion or extension right shall only apply to the residual amount which has not been paid.

NB. Ingredients agreed that it shall not and will procure that no member of the Retained Group (as defined in the Acquisition Agreement) (i.e. the companies which were not acquired by NBF and are under the control of Napier Brown Holdings) shall for a period of three years after the completion date indirectly or directly carry on or be concerned or engaged in any way with any business which competes in either the UK, the Channel Islands, Australasia, US or Europe with (a) the Core Business (as defined in the Acquisition Agreement) and (b) the Non-Core Business (as defined in the Acquisition Agreement) save that the acquisition of a company or business up to 10 per cent. of whose turnover shall or may be competitive with any Non-Core Business shall subject to prior notification to NBF be permitted. In addition, NB. Ingredients also agreed for a period of three years from completion not to solicit any business from customers of any member of the NBF Group or entice away from the NBF Group any officer, consultant or senior managerial employee; there is also a general prohibition on the use of confidential information by NB. Ingredients or any member of the Retained Group; Deeds of restrictive covenant were entered into by each of Patrick George Ridgwell and Anthony Patrick Ridgwell in the same terms as outlined above.

The obligations of NB. Ingredients were guaranteed by the trustees of RGST, limited to the assets in the trust and by Napier Brown Holdings (without limitation) and the trustees of RGST also undertook that in the event of becoming aware of being notified of a warranty claim they will ensure that sufficient funds are retained in order to satisfy such a claim.

Warranty protection was obtained from NB. Ingredients. The total liability of NB. Ingredients for breach of warranty under the Acquisition Agreement is limited to the total consideration

payable pursuant to the Acquisition Agreement (up to a maximum of £60 million). Warranty claims may be brought against NB. Ingredients in the event that the aggregate value of such warranty claims is equal to or exceeds £150,000 and in such event the whole amount may be claimed. The time period in which NBF may bring a claim is 2 and a half years from completion for a warranty claim and 7 years from completion for a tax warranty claim. NBF has brought a warranty claim for £460,594 that has been settled by NB. Ingredients.

Indemnity protection was obtained in respect of a group reorganisation which took place prior to the Acquisition Agreement being entered into, the Normanton site (as referred to below), a repayment of a loan by NB. Chilled Limited, failure by Garrett to obtain consent from the landlord to alterations at the Thornbury site and in relation to any potential breach of the restrictive Covenants at Runcorn.

NB. Ingredients instructed environmental consultants to evaluate environmental risks at the factory site at Normanton and also on a nearby site used for product storage. The intrusive investigations carried out by the environmental consultants included soil and groundwater sampling and analysis, workspace air monitoring, analysis of concrete samples from the factory and warehouse floor and also analysis and assessment of drinking water quality. Based upon the completed tests and checks the environmental consultants did not identify any current appreciable environmental risk to site operations or site occupants. However the reports have identified some contaminants in soil and groundwater at the factory site at Normanton. These contaminants did not arise from the activities of NB. Ingredients or the NBF Group. The relevant reports were addressed to both NB. Ingredients NBF and as such both parties can rely upon the findings of the reports.

The Acquisition Agreement also contained a deed of tax covenant to cover any tax liability of the NBF Group companies post-completion which has not been provided for and no de minimis applies. NBF has claimed £634,333 in respect of tax warranties that have been settled.

4. An agreement (“the JBS Agreement”) was entered into between NBF (1), ED&F Man Holdings Limited (“ED&F Man”) (2) and Greencore Group plc (“Greencore”) (3) on 7 July 2004. NBF agreed to acquire the entire issued share capital of James Budgett.

The total consideration payable on completion was £12,100,000 (“Cash Consideration”) and the allotment and issue of 4,186,046 ordinary shares in the capital of NBF. Of the Cash Consideration, £11,600,000 was paid on completion and £500,000 is to be paid on the second anniversary of completion.

In addition, the JBS Agreement provided for a completion accounts procedure to determine the net asset value of the NBF Group as at 30 June 2004. Following finalisation of the completion accounts, a payment of £123,000 was paid by the sellers to NBF.

Warranty and indemnity protection was obtained from the sellers. The parties to the JBS Agreement also entered into a tax deed with James Budgett on 4 July 2004.

No warranty claim can be brought unless the sellers are notified of a claim within 24 months of completion. The liability of ED&F Man under the warranties and tax deed was capped at the lesser of (1) £11,666,665 and (2) £8,066,500 plus the value of the consideration shares held by ED&F Man immediately prior to a claim being made, including any amounts realised on a prior disposal of consideration shares. The liability of Greencore under the warranties and tax deed was capped at the lesser of (1) £5,833,335 and (2) £4,033,500 plus the value of the consideration shares held by ED&F Man immediately prior to a claim being made, including any amounts realised on a prior disposal of consideration shares.

NBF provided certain warranties relating to its share capital, its capacity to enter into the JBS Agreement and its solvent status. The aggregate liability of NBF was capped at £5,400,000 and no warranty claim can be brought against NBF unless NBF is notified of a claim within 24 months of completion.

The sellers undertook not to compete with the activities of the NBF Group and not to solicit the business of any customers of the NBF Group, in each case for a period of 3 years from completion.

A sale and purchase agreement was entered into on 1 April 2005, by virtue of which NBF acquired the business of James Budgett.

5. An agreement (“the RS Agreement”) was entered into between NBF (1), Napier Brown & Company (2), Renshaw Scott Unlimited (“Renshaw”) (3) and Hero AG (4) on 2 September 2004. NBF agreed to acquire as a going concern the business and certain business assets of Renshaw for a total consideration of £18,496,750. The consideration was satisfied by the payment of £16,996,750 in cash and the allotment of 1,145,868 shares in the capital of NBF to Renshaw.

Warranty and indemnity protection was obtained in the RS Agreement and the cap on Renshaw's liability was the total consideration payable. No warranty claim can be brought unless Renshaw is notified of a claim on or before 31 August 2006.

NBF guaranteed the performance by Napier Brown & Company of its obligations under the RS agreement. In addition, Hero AG guaranteed the performance of the obligations of Renshaw under the RS agreement.

A sale and purchase agreement was entered into on 26 March 2004 pursuant to which NBF acquired the Renshaw business.

6. The members of the NBF Group have entered into several agreements with The Royal Bank of Scotland plc (“RBS”) and The Royal Bank of Scotland Commercial Services Limited (“RBSCS”) including:

- (a) Credit Agreement dated 15 December 2003 as amended pursuant to an amendment agreement dated 19 May 2004 and as amended and restated pursuant to an amendment and restatement agreement dated 7 July 2004 and an amendment and restatement agreement dated 2 September 2004 between NBF and RBS relating to a revolving credit facility of £18,500,000, a term loan of £7,000,000, a property term loan of £10,000,000 and a working capital facility of £5,000,000 (together the “Facilities”). The term loan becomes repayable as from September 2005 in tranches of £200,000 or £750,000 every 6 months thereafter until March 2013. The Facilities become repayable upon a change of control, a sale (as defined) or upon a refinancing. The Credit Agreement requires NBF to provide warranties *inter alia* relating to litigation, events of default, insurances, environmental matters and intellectual property each of which shall be deemed repeated on every draw down of funds. NBF has agreed to adhere to a series of financial covenants. NBF has agreed, *inter alia*, that it will not without the consent of RBS, incur capital expenditure which is 25 per cent. in excess of budget, dispose of assets other than in the ordinary course of business or where below an annual threshold of £250,000, declare or pay dividends other than in accordance with the Articles of Association and subject to such declaration or payment not triggering an event of default at the time or for a period of 6 months thereafter, make any material changes to the Memorandum and/or Articles of Association. The events of default include non-payment under the Facilities, misrepresentation, insolvency, cessation of employment of Christopher Thomas or Simon Barrell without replacement within 180 days of such cessation, loss of key customers or material adverse effect.

Interest payable on the term loan is 2.5 per cent. above LIBOR. Interest payable on the property term loan is 1.5 per cent. above LIBOR. Interest payable on the revolving credit facility is 1.75 per cent. above LIBOR. Interest payable on the working capital facility is 1.5 per cent. above the base rate of RBS.

A commitment fee of £263,750 was payable at the time the Acquisition Agreement was entered into. A commitment fee of £210,000 was payable at the time the JBS Agreement was entered into. A commitment fee of £400,000 was payable at the time the RS Agreement was entered into.

- (b) Debenture dated 15 December 2003 between NBF and RBS securing all NBF's liabilities to RBS by means *inter alia* of a legal mortgage over the NBF's freehold and leasehold property, fixed charge over fixtures and fittings, plant and machinery, intellectual property, stocks and shares together with a floating charge over all the undertaking and all property assets and rights of NBF.
- (c) Debenture dated 15 December 2003 between Napier Brown & Company and RBS securing all Napier Brown & Company's liabilities to RBS by means *inter alia* of a legal mortgage over its freehold and leasehold property, fixed charge over fixtures and fittings, plant and machinery, intellectual property, stocks and shares together with a floating charge over all the undertaking and all property assets and rights of Napier Brown & Company.
- (d) Unlimited Inter Company Composite Guarantee dated 15 December 2003 in favour of RBS from NBF, Garrett and Napier Brown & Company, jointly and severally guaranteeing the discharge of each company's liabilities to RBS.
- (e) Debenture dated 15 December 2003 between Garrett and RBS securing all Garrett's liabilities to RBS by means *inter alia* of a legal mortgage over its freehold and leasehold property, fixed charge over fixtures and fittings, plant and machinery, intellectual property, stocks and shares, together with a floating charge over all the undertaking and all property assets and rights of Garrett.
- (f) Legal Charge dated 15 December 2003 between Napier Brown & Company and RBS in respect of Napier Brown & Company's freehold property in Normanton.
- (g) Legal Charge dated 15 December 2003 between Garrett and RBS in respect of Garrett's leasehold property at Thornbury.
- (h) Invoice discounting agreement dated 7 July 2004 between James Budgett and RBSCS creating invoice discounting arrangements for a minimum period of 12 months.
- (i) Deed of Priority dated 7 July 2004 between James Budgett, RBS and RBSCS regulating the priority arrangements between RBS and RBSCS.
- (j) Debenture dated 7 July 2004, between Bextra Limited and RBS securing all Bextra Limited's liabilities to RBS by means *inter alia* of a legal mortgage over its freehold and leasehold property, fixed charge over fixtures and fittings, plant and machinery, intellectual property, stocks and shares, together with a floating charge over all the undertaking and all property assets and rights of Bextra Limited.
- (k) Debenture dated 7 July 2004, between James Budgett Sugars Limited and RBS securing all James Budgett's liabilities to RBS by means *inter alia* of a legal mortgage over its freehold and leasehold property, fixed charge over fixtures and fittings, plant and machinery, intellectual property, stocks and shares, together with a floating charge over all the undertaking and all property assets and rights of James Budgett.
- (l) Guarantee and indemnity dated 7 July 2004 in favour of RBSCS from NBF guaranteeing the discharge of liabilities of James Budgett to RBSCS.
- (m) Fixed and floating charges dated 7 July 2004 between James Budgett and RBSCS securing all James Budgett's liabilities to RBSCS by means of fixed and floating charges over its assets and undertaking.

- (n) Invoice discounting agreement dated 2 September 2004 between Napier Brown & Company and RBSCS creating invoice discounting arrangements for a minimum period of 12 months.
- (o) Deed of Priority dated 2 September 2004 between RBSCS, RBS and Napier Brown & Company regulating the priority arrangements between RBS and RBSCS.
- (p) Legal Charge dated 2 September 2004 between Napier Brown & Company and RBS in respect of Napier Brown & Company's freehold and leasehold properties in Liverpool.
- (q) Standard security dated 2 September 2004 between Napier Brown & Company and RBS in respect of Napier Brown & Company's property at Carluke.
- (r) Guarantee and indemnity dated 2 September 2004 in favour of RBSCS from NBF guaranteeing the discharge of the liabilities of Napier Brown & Company to RBSCS.
- (s) Fixed and floating charge dated 2 September 2004 between Napier Brown & Company and RBSCS securing all Napier Brown & Company's liabilities to RBSCS by means of fixed and floating charge over its assets and undertaking.
- (t) Legal Charge dated 21 October 2004 between Napier Brown & Company and RBS in respect of Napier Brown & Company's freehold properties in Runcorn.

## 6.2 *Material contracts relating to RGFC*

Set out below are summaries of:

- (i) those material contracts, other than those entered into in the ordinary course of business, which NBF or any member of the Group is a party, for the two years immediately preceding the date of this document; and
- (ii) any other contracts (not being entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

6.3 An agreement between the Company (1) and Xuelin Black ("XB") and Rita Hraiz ("RH") (2) ("the Cakes Agreement") was entered into on 8 May 2003 which was completed on 2 July 2003. By virtue of the Cakes Agreement the Company agreed to acquire the entire issued share capital of Cakes.co.uk trading as Seriously Scrumptious from its then current shareholders ("XB") and ("RH") for a total consideration of £2 and also agreed to repay to XB the director's loans she had invested in the Company, being a total sum of £94,500 together with the management and secretarial fees rendered by Abacus Investments Limited up to a total of £15,000 plus VAT.

The Cakes Agreement provides the Company with full warranty and indemnity protection in respect of Cakes.co.uk. The warranties are not limited either in value or in time.

By virtue of the Cakes Agreement each of XB and RH has agreed for a period of three years following completion that they shall not either directly or indirectly compete against Cakes.co.uk in the UK, Channel Islands, the Isle of Man or the Republic of Ireland.

6.4 An agreement ("the CF Agreement") was entered into between the Company (1) and Upper Crust (2) on 22 May 2003 and was completed on 1 July 2003. The Company agreed to acquire the entire issued share capital of CFD from Upper Crust for a total consideration of £1 together with the assumption of net current liabilities as referred to below.

By virtue of the CF Agreement Upper Crust agreed that in relation to any intercompany indebtedness owed by CFD and Eurofoods to Upper Crust at completion repayment would not be enforced until CFD has calculated its profit before tax figure ("PBT") for the first financial year after completion. Once this calculation had been established Upper Crust would ensure that any indebtedness above the assumed net liability position (referred to above) would be written off. In addition Upper Crust and

the Company agreed that once the combined profit before tax figure of CFD and Eurofoods has been estimated the Company would procure the payment to Upper Crust of a sum equivalent to 50 per cent. of such PBT figure by way of an additional debt payment.

On 9 December 2004 the Company entered into a settlement agreement with Upper Crust pursuant to which Upper Crust waived any claims under the CF Agreement and the EF Agreement (as defined below) in consideration for the waiver by the Company of any claims under the CF Agreement and the EF Agreement the payment of £130,000 (payable by the Company) and thereby satisfied any entitlement Upper Crust might have had to deferred consideration or to any post completion adjustments under the CF Agreement or the EF Agreement.

- 6.5 An agreement (“the EF Agreement”) was entered into between the Company (1) and Upper Crust (2) on 22 May 2003 and was completed on 1 July 2003. By virtue of the EF Agreement, the Company conditionally agreed to acquire the entire issued share capital of Eurofoods from Upper Crust for a total consideration of £2.

Please refer to the CF Agreement summary paragraph 6.4 above for details of the consideration payable in respect of both Eurofoods and CFD.

Please refer to the settlement agreement summary set out in paragraph 6.4 above in relation to the settlement of any claims under the EF Agreement.

- 6.6 The Company entered into and completed an agreement on 1 July 2003 with RHM Overseas Limited (“RHM”) in relation to the acquisition of the entire issued share capital of Haydens (the “Haydens Acquisition Agreement”).

The total consideration payable was up to a maximum of £1,000,000 of which £400,000 was paid on completion (£124,000 directly to RHM and £276,000 to Haydens in respect of the settlement of intercompany indebtedness) and a further £450,000 was paid into escrow out of which three instalments of £150,000 were to be paid to RHM, at six monthly intervals from completion with the final payment being payable 18 months after completion.

Warranty and indemnity protection was obtained in the Haydens Acquisition Agreement and the cap on RHM’s liability was the total consideration payable. RHM agreed or agreed to procure that each of its group companies would not compete with Haydens Bakeries in connection with its business with Waitrose for a period of three years from completion other than in respect of specific business carried on by certain RHM group companies as identified in the Haydens Acquisition Agreement.

In January 2004 the Company paid to RHM the total sum £376,014 (obtaining a discount for early payment) in respect of the deferred consideration in full and final settlement of the total deferred consideration figure of £450,000.

- 6.7 With effect from 31 August 2003 the Company acquired all of the assets of Haydens, Cakes.co.uk, Eurofoods and Cool Fresh Distribution Limited (“the Subsidiary Companies”) by virtue of four separate hive up agreements.

- 6.8 On 2 September 2003 a Deed of Warrant Grant was entered into between the Company (1) and J M Finn (2) (“the Warrant Agreement”). Pursuant to the Warrant Agreement, the Company granted a warrant to J M Finn to subscribe in cash for up to 1,615 ordinary shares of £1 each in the capital of the Company, exercisable at a price of £50 per share (which is now equivalent to 80,750 Ordinary Shares exercisable at a price of 100 pence per share). The warrant is exercisable in whole or part at any time and from time to time up to the sixth anniversary of the date of the Warrant Agreement, and to the extent unexercised then lapses.

The Warrant Agreement provides that in the event of any rights issue or other issue of shares or in the event of a further issue of shares by way of capitalisation, reserves or profits or any sub-division or consolidation in the ordinary share capital of the Company, the nominal amount and the number of shares subject to the Warrant Agreement will be adjusted by the Board to take account of such event.

The Warrant Agreement is only assignable in whole, save that assignments in part may be effected in favour of up to a maximum of two employees of J M Finn, but not otherwise.

If an offer is made to the holders of shares in the capital of the Company to acquire the whole or any part of the issued share capital of the Company, then the Company is under an obligation to give notice to J M Finn and J M Finn will be entitled to exercise its subscription rights so as to take effect as if it had exercised its rights immediately prior to the record date of such offer.

On 15 September 2003 a second Deed of Warrant was entered into between the Company (1) and J M Finn (2) on the same terms as above, save that the warrant is in respect of 700 Ordinary Shares of £1 each (which is now equivalent to 35,000 Existing Ordinary Shares exercisable at a price of 100 pence per share) and can only be assigned to a person or corporation who is approved by the Company.

- 6.9 A lock-in and orderly market undertaking dated 24 September 2003 granted in favour of the Company, J M Finn and John East & Partners by Menton. Pursuant to the terms of this undertaking, Menton undertook (subject to certain limited exceptions including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company), not to dispose of the Existing Ordinary Shares held by each of it or persons connected with it (or any interest therein) at any time prior to 26 September 2004 nor for a period of 12 months thereafter without the prior written consent of J M Finn, such consent not to be unreasonably withheld or delayed, and then only on an orderly market basis through J M Finn or any other broker for the time being to the Company.
- 6.10 A Placing Agreement dated 25 September 2003 between the Company (1) the Directors (2) John East & Partners (3) and J M Finn (4) pursuant to which;
- (i) John East & Partners agreed to act as nominated adviser to the Company; and
  - (ii) J M Finn agreed to use reasonable endeavours to procure subscribers for the 1,090,909 placing shares issued by the Company at 110p per share.

The agreement contained indemnities and warranties from the Company and warranties from the Directors in favour of John East & Partners and J M Finn.

The Directors, on behalf of themselves, their families and others deemed to be connected with them, undertook not to dispose of any Ordinary Shares, save in the event of an intervening court order, a takeover becoming or being declared unconditional, or as regards an individual, in the event of the death of an individual, and save also pursuant to a sale to meet any liability incurred under the agreement until 29 September 2004 and for a further period of 12 months on an orderly market basis through J M Finn or the successor to the position of nominated broker to the Company from time to time, except with the prior written consent of John East & Partners and J M Finn, which consent shall not be unreasonably withheld or delayed.

- 6.11 A Placing Agreement dated 22 December 2003 between the Company (1) and the partners of J M Finn (2) pursuant to which J M Finn agreed to use reasonable endeavours to procure subscribers for the 7,407,407 placing shares issued by the Company at 135 pence per share.

The agreement contained indemnities and warranties from the Company in favour of J M Finn.

- 6.12 On 19 April 2004 the Company entered into the Five Star Agreement in relation to the acquisition of the entire issued share capital of Five Star.

The initial aggregate consideration was £16,600,000. The sum of £14,608,114 was paid to the Five Star vendors on completion of the Five Star Agreement and was satisfied by the transfer of £13,608,114 in cash and the issue of 695,410 Consideration Shares; the Company also assumed bank borrowing liabilities of £787,611. In addition, the vendors under the Five Star Agreement and the directors of Five Star were granted 465,925 Five Star Options under the Five Star Option Plan.

The vendors under the Five Star Agreement have also received a further payment, as a deferred working capital adjustment, of £1,086,000.

The vendors under the Five Star Agreement have become entitled to deferred consideration of £3,000,000, to be satisfied in cash and based on the adjusted profit before interest of the Five Star business (“EBIT”). In respect of this amount and the working capital adjustment referred to above the Company has paid the sum of £1,180,000.

Where EBIT for the year ending 31 December 2005 exceeds the previous years EBIT, then a further payment will be due to the vendors under the Five Star Agreement equal to 6 times the amount by which EBIT for the year ending 31 December 2005 exceeds £3,333,333 (up to a maximum of £1,000,000).

The Five Star Agreement also contained a tax covenant to cover tax liabilities of the Target Group. A retention amount equal to £4,060,000 was on completion of the Five Star Agreement deposited in an escrow account to cover certain liabilities of the vendors arising under the Five Star Agreement, of which £703,368 has now been released to the vendors.

Two hive up agreements were entered into on 9 February 2005 by virtue of which, with effect from 31 December 2004, the Company has acquired all of the assets of Five Star and Tom Darwood.

- 6.13
1. The Company entered into a Credit Agreement dated 13 May 2004 (“the Credit Agreement”) with the Royal Bank of Scotland plc (on behalf of the National Westminster Bank plc) relating to a revolving credit facility of up to £5,500,000 and a term loan of up to £2,000,000 (together the “Facilities”). The term loan became repayable as from 30 September 2004 in tranches of £125,000 every six months until 24 September 2011.
  2. The Company also has two invoice discounting facilities with the Royal Bank of Scotland Commercial Services Limited (“RBSCS”). The total cap on these facilities is £4,000,000. In practice £2,000,000 is applied by RBSCS against the debtors of the Hayden’s and CoolFresh divisions of the Company and £2,000,000 against the debtors of the Five Star Fish Division of the Company.

A working capital facility of up to £500,000 is also available to the Company under an overdraft facility letter dated 13 May 2004 between the Bank and the Company.

These facilities are secured by virtue of debentures, legal charges and cross guarantees in favour of the National Westminster Bank plc and RBSCS.

3. The Company has entered into the New Credit Agreement on 26 July 2005 with, *inter alia*, the Royal Bank of Scotland plc (acting as arranger and agent), Rabobank International (as arranger and original lender) and the National Westminster Bank plc (as original lender) for an aggregate facility of up to £69,500,000 for the Enlarged Group, consisting of:
    - (i) a fixed term loan of up to £45,000,000 for a period of 7 years;
    - (ii) a revolving credit facility of up to £20,500,000 secured over debtors for a period of 7 years;
    - (iii) an overdraft facility of up to £4,000,000.
- 6.14 The Company has received applications to subscribe for 4,162,558 new Ordinary Shares at 121.95 pence per Ordinary Share (representing a discount of 10 per cent. to the closing price on the day before the Offer was announced) when Numis declare the Offer unconditional in all respects.

## **7. Other Information**

- 7.1 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between any of the directors or recent directors, shareholders or recent shareholders of NBF and RGFC or any person acting in concert with RGFC for the purposes of the Offer which agreement, arrangement or understanding has any connection with or dependence on, or is conditional on the outcome of, the Offer.



- 7.2 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the NBF Shares to be acquired by RGFC pursuant to the Offer will be transferred to any other person, save that RGFC reserves the right to transfer any such shares to any of its subsidiaries.
- 7.3 Numis has given and not withdrawn its consent to the issue of this document with the inclusion herein of its letter and the references to Numis in the form and context in which they appear. Numis is regulated by the Financial Services Authority.
- 7.4 John East & Partners has given and not withdrawn its written consent to the issue of this document with references to John East & Partners in the form and context in which they appear.
- 7.5 Horwith Clark Whitehill LLP (“HCW”) has given and not withdrawn its consent to the inclusion herein of its letter and the references to HCW in the form and context in which they appear.
- 7.6 No proposal exists in connection with the Offer that any payment or other benefit shall be made or given by RGFC to any NBF Director as compensation for loss of office or as consideration for, or in connection with his retirement from office.
- 7.7 Save as disclosed in this document, and save for its individual effect on the level of payments which may be payable under bonus arrangements already in place, the total emoluments of the RGFC Directors will not be varied as a consequence of the Acquisition or by any other associated transaction.
- 7.8 This document has been approved by Numis which is regulated by the Financial Services Authority, solely for the purposes of section 21 of the Financial Services and Markets Act 2000.
- 7.9 Save as disclosed in this document, there has been no material change in the financial or trading position of NBF since 3 April 2005, being the date to which the last published audited accounts of NBF were prepared.

## **8. Bases and sources**

- 8.1 The market value of a NBF Share of 220p is based on the Closing Price on 26 July, being the latest practicable date prior to the announcement of the Offer.
- 8.2 The value of the whole of the issued share capital of NBF is based upon the 28,252,277 and the NBF options and warrants over 2,540,656 NBF Shares in issue.
- 8.3 Unless otherwise stated, the information on RGFC is extracted from RGFC’s report and accounts for the sixteen month period ended 31 December 2004.
- 8.4 Unless otherwise stated, the information on NBF is extracted from NBF’s annual report and accounts for the two financial periods ended 3 April 2005.

## **9. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Joelson Wilson & Co., during usual business hours on any weekday (Saturdays and public holidays excepted) while the Offer remains open for acceptance:

- (A) the Memorandum and Articles of Association of each of RGFC and NBF;
- (B) the audited published consolidated accounts of RGFC for each of the two years ended 31 December 2004;
- (C) the audited published consolidated accounts of NBF for each of the two financial periods ended 5 April 2005;
- (D) the written consents referred to in paragraphs 7.3, 7.4 and 7.5 above;
- (E) the service agreements and the proposed new service agreements of the NBF Directors;

- (F) the material contracts referred to in paragraph 6 above;
- (G) the irrevocable undertakings referred to in paragraph 4(b)(iv) above;
- (H) the reports and written consents from the auditors in respect of the Profit Forecast referred to in Appendix II;
- (I) the Prospectus;
- (J) the announcement of the Offer made on 27 July 2005; and
- (K) this document and the Form of Acceptance.

5 August 2005



