

Acquisition of Optima Health for £23 million & Vendor Placing

William Ransom & Son plc ("Ransom"), one of the UK's leading natural healthcare companies, today announces that it has agreed to acquire the entire share capital of Optima Healthcare Limited and Optima Health (Ireland) Limited ("Optima") for a total consideration of £23 million ("the Acquisition").

In a separate announcement today, Ransom also reported preliminary results for the year ended 31st March 2005 of turnover (excluding discontinued operations) up over 31% to £18.9 million (2004: £14.4 million) and adjusted pre-tax profits (excluding non-recurring items) of £1.0 million (2004: loss of £0.03 million).

Highlights

- Optima is the UK's, and one of Europe's, leading suppliers of retailed aloe vera products and supplies over 18 different natural healthcare product ranges.
- Total consideration for the Acquisition of £23 million comprising 23,613,858 Consideration Shares and the balance of approximately £12.6 million in cash, to be financed as to £10 million from the Vendor Placing at 40p per share and approximately £2.6 million from a new bank facility.
- The Board proposes the appointment of David Wilkie, Steve Quinn and Fred Whitcomb to the Board as executive directors of the Company.
- The Acquisition provides opportunities of cross-selling and margin enhancement.
- Complementary distribution; stockists of Optima's products include Holland & Barrett, Boots, Tesco and independent health food retailers.
- Good fit with existing Ransom business and expected to be earnings enhancing before synergies.
- The Acquisition positions Ransom as the UK market leader in high growth glucosamine and aloe vera retail brands.
- This is the largest of six acquisitions made by Ransom in four years and is in line with their acquisition strategy.
- Numis Securities acted as Nominated Advisor and Broker on the Acquisition and the Vendor Placing.

Commenting on the Acquisition, Tim Dye, Chairman of William Ransom & Son plc, said;

"We are delighted to be announcing the acquisition of Optima. In addition to bringing to the business a high growth natural product portfolio, it makes us the UK's market leader in aloe vera retailed products, to complement our existing market-leading position in glucosamine. The Acquisition represents a good strategic fit and is expected to be earnings enhancing. Optima's founders - Fred Whitcomb and Steve Quinn - share our view of the opportunities for the combined business presented by the growth of the natural healthcare market and we are very pleased that they and David Wilkie will be joining our Board as we seek to maximise the potential of the Group."

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Numis, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker exclusively for the Company in connection with the arrangements described in this announcement, is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Numis, or for advising any other person in connection with the arrangements described in this announcement. The responsibilities of Numis, as Nominated Adviser, are owed solely to the London Stock Exchange.

WILLIAM RANSOM & SON PLC

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Introduction

Ransom announces that it has agreed to acquire the entire issued share capital of Optima and Optima Ireland for a total consideration of £23 million payable in a combination of cash and Consideration Shares. The Acquisition is being driven by a compelling strategic fit, common vision and complementary product offering between Ransom and Optima. As a result, the Directors and Proposed Directors believe that the Acquisition will enable the Enlarged Group to take further advantage of the growth in the natural products consumer healthcare market.

Optima manufactures and markets a range of high quality health food supplements and cosmetics based on efficacious natural ingredients. Optima Ireland was established in September 2004 in order to facilitate Optima's trading in the Republic of Ireland. Further details of the Acquisition are set out in Part I (Principal terms of the Acquisition) and paragraph 9(b) of Part V of the Admission Document to be published today. The cash consideration payable under the Acquisition will be financed by way of the Vendor Placing and the New Facilities pursuant to the Term Loan Agreement detailed in paragraphs 9(a) and 11(a)(viii) of Part V of the Admission Document respectively. The Vendor Placing has been fully underwritten by Numis.

Under the terms of the Acquisition, the Vendors will receive Consideration Shares representing 28 per cent. of the Enlarged Group, with the balance of the consideration being financed via the Vendor Placing and the New Facilities pursuant to the Term Loan Agreement.

The Acquisition constitutes a reverse take-over for the purposes of the AIM Rules and is therefore subject to the approval of Shareholders, which will be sought at the EGM. An application will be made to the London Stock Exchange for the Existing Ordinary Shares to be readmitted, and for the New Ordinary Shares to be admitted, to trading on AIM. Admission is conditional, inter alia, on the passing of the Resolution at the EGM.

Information on Optima

Optima was established in 1994 by the Vendors. It manufactures and markets a range of high quality health food supplements and cosmetics based on efficacious natural ingredients. Optima is headquartered in Cardiff, Wales and has a distribution and customer service facility in Bradford

and has the use of a manufacturing facility in Newbury, Berkshire focused on the production of aloe vera drink products.

Optima is the UK's, and one of Europe's, leading suppliers of retailled aloe vera products and was the first European company to achieve product certification from the IASC (International Aloe Science Council). Aloe vera is regularly used by people as a health drink and as a functional cosmetic by those with sun-damaged and sensitive skins. It is also widely used in beauty and hair care products. Optima manufactures and distributes several ranges of aloe vera products including health drinks, digestive and colon care products natural cosmetics, skin care and hair care products. Optima also produces and markets high quality branded health food supplements, herbal medicines and naturally based cosmetics made using a wide range of natural vitamins, nutrients, herbs and botanical ingredients.

Optima has over 18 different natural healthcare product ranges marketed under a number of different brand names as follows:

ActivJuice™	Health juice containing glucosamine for joint health.
Allergenic™	A range of products containing aloe vera including body lotion, shower gel, shampoo, bathing milk, ointment and emollient creams all designed for problem skin conditions such as eczema and psoriasis.
AloeDent®	A range of toothpaste and mouthwash containing aloe vera.
AloePura®	A range of health juices, food supplements, skin and hair care products based on aloe vera and other natural ingredients.
Echinaid®	A range of echinacea products including syrups, tablets, capsules and throat sprays.
Healthwise®	A range of over 50 different products ranging from standardised herbs to specialised herbs. The brand has been in existence for over 20 years with a focus on high quality products at affordable prices.
Ice Guard™	A range of deodorants using ammonium alum, a naturally occurring mineral salt.
Kordels®	A range of health supplements including vitamin, mineral and herbal supplements. Named after and inspired by Lelord Kordel, a leading Hollywood nutritionist.
Maxicol®	A probiotic product range for bowel health.
Medibee™	Honey produced from the flowers of the Manuka bush, a native plant of New Zealand that is believed to have antibacterial and other beneficial properties. Optima distributes this product under an exclusive territory deal with the suppliers, Bee and Herbal
Menolife®	A range of products targeted at women coping with the menopause.

Musseltone	A range of products based on the therapeutic properties of the green-lipped mussel.
Olivera™	A range of soaps based on a combination of pure olive oil and aloe vera.
Organic Choice®	A range of food supplement products based on essential fatty acids including omega 3, 6 and 9 derived from flaxseed, sunflower seed, sesame seed and evening primrose oils.
Swiss Herbal Confectionary®	A range of organic echinacea lozenges.
Thursday Plantation®	A range of products based on the antiseptic, antibacterial and antifungal properties of tea tree oil including shampoo, conditioner, deodorant, skin creams, and anti-fungal gel. Optima distributes this product under an exclusive territory deal with the suppliers, Thursday Plantation.

Within this range approximately 80 per cent. of sales are derived from Aloe Dent, Aloe Pura, Kordel's, Manuka Honey, Thursday Plantation, and own label product ranges.

Within the UK, Optima employs 10 sales personnel in the sales team, plus a sales director covering the UK and Ireland. Stockists include Holland & Barrett, Boots, Tesco and independent health food retailers, as well as other pharmacies, multiple retailers and grocery outlets. Optima exports to thirty-five countries worldwide with a network of distributors covering Europe, the Middle East, USA and Asia.

Optima manufactures products to British Retail Consortium standards and is ISO9001 certified. Optima does not test its products on animals. Optima's products are non-toxic and conform to EU legislation.

For the year ended 31 December 2004, Optima's principal trading subsidiary, Optima Health Limited, reported adjusted profit before tax of approximately £2.9 million (2003: £2.0 million) on turnover of approximately £13.9 million (2003: £12.0 million) after taking into account non-recurring bonuses of £nil (2003: £1.1 million), non-recurring legal and professional costs of £0.2 million (2003: £0.06 million), and Employee Benefit Trust contributions of £0.06 million (2003: £0.2 million). As at 31 December 2004, Optima reported net assets of approximately £4.0 million (2003: £2.9 million) and had net cash of £0.5 million (2003: £0.05 million). The business has continued to perform well in the first half of 2005 and the Directors and Proposed Directors believe this performance should continue under the ownership of Ransom.

Information on Ransom

Ransom's objective is to establish itself as the UK's leading natural product based consumer healthcare business. The Company intends to continue to acquire portfolios of suitable brands and to improve and develop them through intensive management and the use of its considerable natural healthcare expertise.

The Company's principal manufacturing activities are the production of liquid pharmaceuticals, the extraction of plant material for the healthcare, food and beverage industries, and the manufacturing of liquids and creams under contract on behalf of other pharmaceutical companies. Ransom has considerable expertise in the development and application of botanical extracts, especially for the pharmaceutical and drinks industries. The Company applies for patents where it believes it has been innovative in the formulation or application of botanical extracts for healthcare products.

Ransom has now established the base for building a substantial consumer healthcare business.

The purchase, in January 2004, of a portfolio of OTC (over-the-counter) heritage brands from J Pickles Limited complemented previous successful acquisitions from Roche, Boehringer Ingelheim and of Cariad, an aromatherapy company. In April 2004, the Company acquired Health Perception, the UK's leading supplier of branded retail glucosamine products. Health Perception traded ahead of management expectations for the financial year ended 31 March 2005.

For the year ended 31 March 2005 the Company reported profit before tax and amortisation excluding nonrecurring items of approximately £1.0 million (2004: £0.03 million loss) on turnover of approximately £19.8 million (2004: £14.4 million). As at 31 March 2005, the Company had net debt facilities of approximately £2.6 million (2004: net cash of £5.2 million) outstanding on net assets of approximately £17.5 million (2004: £14.5 million).

Reasons for and benefits of the Acquisition

Ransom is involved in the development and manufacture of natural botanical extracts and liquid pharmaceuticals and the marketing of consumer healthcare brands based on them. Its stated objective is to become the UK's leading natural healthcare company. Ransom has already shown, through its acquisition of Health Perception in 2004, that it can deliver strong improvement in sales and profitability to a business with a market-leading natural healthcare product.

The Directors and Proposed Directors believe that the following market features and dynamics present an opportunity to build a large and fast-growing business:

- Consumers are becoming more interested in 'natural' self medication, especially for chronic, non life threatening conditions.
- Consumers and regulatory authorities increasingly expect more scientific supporting data on the natural products that are being offered.
- While the trend towards self-medication and therefore the growth in the OTC market overall is relatively slow, there are sub-sectors of the market which show high growth.
- High growth sub-sectors tend to be driven by new efficacious active ingredients or by novel presentation formats, particularly where these products meet strong socio-economic or demographic trends. Examples are glucosamine for the more active 'grey' market and parents purchasing products for their children such as omega 3 fatty acids in anticipation of improved academic performance and on aloe vera as an emollient for dry and itchy skin conditions.
- The OTC healthcare products market in the UK, for both food supplements taken as medicines and for licensed pharmaceutical products, is extremely fragmented.
- The consumer trend towards natural healthcare products and competitive pressure from supermarkets in the traditional pharmacy market means that independent, small chain and multiple pharmacies are more receptive to such products. Similarly, health food retailers are responding by becoming more interested in licensed pharmaceutical products.
- Multiple grocers are selling more healthcare products but focusing on brand leaders and own label. To introduce new products suppliers generally need a trading relationship built around a market-leading product.

The Directors and Proposed Directors believe that the Acquisition will accelerate this process of becoming the UK's leading natural healthcare company and offer the following specific benefits to the Enlarged Group:

- The Enlarged Group will be able to offer retailers a one-stop shop for a wide range of their natural healthcare lines, including the UK's leading branded retail glucosamine and aloe vera products.

- Ransom's phyto-pharmaceutical expertise and heritage offers the opportunity to strengthen further Optima's leading natural healthcare brands.
- The breadth of the combined ranges will allow the Enlarged Group to offer direct account trading terms to larger independent retailers – both pharmacists and health food stores – which should generally allow improved profit margin for both the retailer and Enlarged Group.
- Ransom and Optima have complementary strengths in sales distribution that should generate significant opportunities for cross-selling. Ransom is relatively strong in key grocery accounts and in multiple and independent chemists, while Optima's strength is with multiple and independent health food retailers.
- Ransom has a well-established natural product and pharmaceutical manufacturing capability. Optima currently contracts out most of its manufacturing. The Acquisition provides the opportunity for the Enlarged Group to improve profit margins by bringing manufacturing in-house where appropriate.
- Both Ransom and Optima have been expanding their export sales. Their combined sales in key markets should allow the Enlarged Group to negotiate better and more cost-effective distribution deals.
- Optima operates in a natural healthcare market that is set to become increasingly regulated. Ransom's pharmaceutical regulatory and quality assurance capability, together with its botanical expertise, should provide Optima with a powerful competitive advantage in its market.

Current trading and prospects for the Enlarged Group and future strategy

The Directors remain satisfied with the performance of Ransom's existing operations since 31 March 2005 and believe that earnings will continue to be in line with expectations.

As detailed above, the Directors and Proposed Directors believe that there are significant cross-selling opportunities within the Enlarged Group. Following the Acquisition, the Board will consider alternative organisational structures to ensure that these are maximised.

The Enlarged Group will also look to develop export sales based on the wider product base, to improve profit margins by bringing manufacturing in-house where appropriate, and to develop products based on the combined expertise and brand strength of the Enlarged Group.

Principal terms of the Acquisition

Ransom has conditionally agreed to pay to the Vendors a total consideration of £23 million for the entire issued share capital of Optima and of Optima Ireland. The consideration shall be comprised of 23,613,858 Consideration Shares and approximately £12.6 million in cash payable at completion (£10 million of such cash to be satisfied through the Vendor Placing and the balance to be financed under the Term Loan Agreement). Upon completion of the Acquisition, the Enlarged Group will have net debt of approximately £7 million.

Under the terms of the Acquisition Agreement, the Sellers have given warranties in respect of certain business, taxation and other matters, subject to agreed limitations on liability. The Acquisition Agreement is conditional, inter alia, upon the Vendor Placing Agreement being declared unconditional in all respects (save in respect of any condition relating to Admission, to the Facilities Agreement or the Acquisition Agreement).

The Vendors have agreed that, subject to certain exceptions, they shall not dispose of the Consideration Shares during the 2 year period immediately following Admission. Further details of such restrictions are set out in paragraph 9(a) of Part V of the Admission Document.

A summary of the principal terms and conditions of the Acquisition Agreement is set out in

paragraph 9(b) of Part V of the Admission Document.

Given the size of Optima relative to that of Ransom, the Acquisition is classified as a reverse takeover under the AIM Rules and therefore the Acquisition is subject to the approval of Shareholders in general meeting. Accordingly the purpose of the Admission Document is to provide details of the Acquisition and to explain why the Board considers the Acquisition to be in the best interests of Ransom and its Shareholders as a whole.

Details of the Vendor Placing

Ransom has entered into a Vendor Placing Agreement with Numis pursuant to which, inter alia, Numis has agreed to procure placees for the Vendor Placing Shares at the Placing Price to raise £10 million. The Vendor Placing, which has been fully underwritten by Numis, is conditional, inter alia, upon the passing of the Resolution at the EGM, escrow completion of the Acquisition Agreement having occurred, the Vendor Placing Agreement not having been terminated in accordance with its terms, and on Admission taking place by not later than 5.00 p.m. on 14 July 2005. Shareholders have no right of pre-emption in respect of the New Ordinary Shares, and accordingly the Vendor Placing Shares are not being made available to the holders of Existing Ordinary Shares in proportion to their holdings of Existing Ordinary Shares or otherwise except to the extent that they are included as the placees procured by Numis.

The New Ordinary Shares will be credited as fully paid and will rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all future dividends and other distributions declared, paid or made in respect of Ordinary Shares from the date of issue. New Ordinary Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

Application will be made to the London Stock Exchange for the Existing Ordinary Shares to be readmitted and for the New Ordinary Shares to be admitted to AIM. It is expected that Admission will become effective and that dealings for normal settlement in the New Ordinary Shares will commence on 29 June 2005.

A summary of the principal terms and conditions of the Vendor Placing Agreement is set out in paragraph 9(a) of Part V of the Admission Document.

Following completion of the Acquisition and the Vendor Placing, Fred Whitcomb and Steve Quinn will each retain a shareholding equivalent to 14 per cent. of the Enlarged Group.

Directors of Optima

Fred Whitcomb, Age 49, Joint Managing Director

After graduating from university, Fred began a career with a leading European art and antiques firm eventually obtaining a partnership. In 1989 he started his own art and antiques wholesale company which was sold in 1997 so as to concentrate his attention on the rapidly expanding Optima Healthcare business which he co-founded with Stephen Quinn in 1994. Fred is joint managing director of Optima Healthcare. In 2001, Fred played a leading role in the successful acquisition and assimilation of Health Imports Limited and in the ongoing management of the enlarged group.

Steve Quinn, Age 43, Joint Managing Director

In 1978 Steve joined British Telecom and trained as a telecommunications engineer gaining a Diploma in Communications. In 1982 he started his own communications business, which he later sold in 1986. Steve then started a specialist chain of natural health stores based in South Wales. During this period he studied and trained in nutrition and natural healthcare, building up an

excellent reputation as a nutritional consultant. Steve was the co-founder of Optima Healthcare and is now joint managing director.

Fred Whitecomb and Steve Quinn will become Directors of the Company upon completion of the Acquisition.

Proposed Directors

Fred Whitcomb and Steve Quinn will become directors of the Company upon completion of the Acquisition. Their details are set out in the section entitled "Directors of Optima" above.

David Wilkie – MBE, Age 51, Managing Director, Health Perception (UK) Ltd

David Wilkie and his partner Helen Isacson founded Health Perception in 1999. The business was acquired by Ransom in April 2004 by which time it was established as the UK's leading glucosamine brand. David's record as a swimmer is well known. As well as winning Olympic Gold in the 200m breaststroke in 1976, he broke 5 world records, 16 European records and 30 British records. He graduated in Mass Communications Law from the University of Miami in 1977.