

*Tinsbury
Food
Group*

Interim Report
to 31 December 2005

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“The Best At What We Do”

Highlights

Half Year to 31st December 2005

- Turnover up 12% to £32.8m (2004: £29.2m)
- Profit before tax and exceptional items up 70% to £1.2m (2004: £0.7m)
- Improvement in gross margin up to 39.6% (2004: 36.1%)
- Earnings per share (excluding exceptionals) up 81% to 3.94p (2004: 2.18p)
- Integration of Scottish acquisitions progressing well
- Capital investment program proceeding to plan in Memory Lane Cakes
- Record Easter expected for Nicholas & Harris Ltd



Chairman's Statement

Dear Shareholder,

After a busy and successful first half to the year, I am pleased to announce a solid set of results for the Group. The interim results include six weeks trading from the three businesses acquired in November, plus a full half year from the original group of companies. Having built a strong foundation, we have now been able to pursue our acquisition strategy, as well as grow the core business.

The Group generated a profit before tax of £1.2m in the six months to December 2005, which constituted a 70% rise over the corresponding period in 2004. After stripping out the effect of the acquisitions, profits were up 36% at £0.9m.

Sales growth over the period was 12%. On a like-for-like basis, sales increased by 2%. This like-for-like growth reflects the fact that Memory Lane Cakes Ltd ("Memory Lane") re-modelled its product range during the calendar year 2004, with a number of low margin retailer brand contracts exited at the end of 2004. Adjusting for these sales, underlying growth of 9% was achieved. This re-modelling of the Memory Lane product range is the major factor in the gross margin increase from 36% to nearly 40%. The newly acquired businesses have margins broadly in line with the original subsidiaries.

Trading for Christmas 2005 went according to plan, with sales across the Group of some £2.0m. The majority of these sales were from Memory Lane, but the three new businesses contributed around 25% of the total. All sites achieved their plan, and we feel this will stand us in good stead to grow our seasonal business for 2006.

During the period we purchased California Cakes Ltd ("California"), Campbells Cakes Ltd ("Campbells"), and United Central Bakeries Ltd ("UCB") in November 2005, for a combined consideration of approximately £10m. These businesses are already making a positive contribution to the Group, both in terms of profitability, and in increasing the range of products which we can offer our customers.

As planned at the time of acquisition, Archy Cunningham has now assumed full responsibility for all three operations in Scotland. He was previously Managing Director of UCB, and will be supported in developing these businesses by independent management teams at each site. The Group will also be looking to generate additional sales momentum by leveraging existing retailer relationships.

The capital projects highlighted in November 2005 at the time of the acquisitions are underway. The Gluten Free area of UCB has now been fully segregated to give us a market-leading facility in this fast expanding niche market. At California, the first phase of process automation has commenced. Due to phased implementation, completion of this project will now be in the Autumn.

Memory Lane is now in the middle of two large capital installations, which involve the investment of £1.50m. The first is the automation of the sponge processing line, whilst the second is a new production line set up to produce mini versions of our premium boxed round cakes. Listings have already been secured with three retailers, and sales will begin in April. Development continues with other customers with a view to launching in late Summer. This widens the range of products we can offer our customers in their premium brands.

Nicholas & Harris Ltd ("Nicholas") continues to develop its customer base, with its core bread and morning goods products. Listings have now been secured with the four largest multiple grocers and further development work is continuing, with more launches expected in the Summer. In addition, Nicholas is producing the full range of Waitrose Hot Cross Buns for Easter 2006 – the first time we have achieved sole supply status.

Nestlé continues to perform in line with expectations. Growth has slowed slightly in the last few months due to aggressive activity by other brands in the cake sector. We have refined our offering, and now have a portfolio of excellent products to push hard in the months ahead.

As with most companies, utility prices are causing some concern with the effects hardest felt in our bread businesses. Prices are starting to ease a little, but the outlook remains uncertain. Our Group Buying team has been working hard on creating savings on raw materials and packaging items to minimise the impact.

In summary, we have made good progress to date. Our markets are highly competitive, and the competition amongst our retail customers is intense. However, all the consumer trends are moving towards more premium products, with top quality ingredients. We believe this places the Group, with our core mission to be "The Best at What We Do", operating in the right market segments.

Lord Saatchi
Chairman

28th March, 2006

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Consolidated Profit and Loss Account

	Notes	Unaudited six months ended 31 December 2005 £000	Unaudited six months ended 31 December 2004 £000	Audited year ended 30 June 2005 £000
Turnover				
Continuing		29,686	29,249	59,338
Acquisition		3,130	–	–
Total		32,816	29,249	59,338
Cost of sales		(19,828)	(18,697)	(37,073)
Gross profit		12,988	10,552	22,265
Distribution expenses		(1,656)	(1,475)	(2,989)
Administrative expenses		(10,054)	(8,202)	(17,540)
Other operating income		–	13	20
Operating profit and profit on ordinary activities before interest and taxation				
Continuing		953	888	1,756
Acquisition		325	–	–
Total		1,278	888	1,756
Interest receivable		6	–	6
Interest payable		(131)	(211)	(225)
Profit on ordinary activities before taxation and exceptional items		1,153	677	1,537
Exceptional item	2	(500)	1,815	1,865
Profit before taxation		653	2,492	3,402
Taxation		(160)	(216)	(495)
Profit after taxation		493	2,276	2,907
Proposed dividend		–	–	(267)
Profit retained for the period		493	2,276	2,640
Earnings per share				
Basic	3	2.19p	10.77p	13.56p
Basic excluding exceptional items	3	3.94p	2.18p	4.86p
Diluted	3	1.87p	9.79p	12.01p
Diluted excluding exceptional items	3	3.37p	1.98p	4.31p
Dividend per share		Nil	Nil	1.20p

Consolidated Balance Sheet

	Notes	Unaudited 31 December 2005 £000	Unaudited 31 December 2004 £000	Audited 30 June 2005 £000
Fixed assets				
Goodwill		14,224	2,099	2,041
Negative goodwill		(508)	(538)	(523)
Total net goodwill	4	13,716	1,561	1,518
Tangible assets		13,162	7,735	9,422
		26,878	9,296	10,940
Current assets				
Stocks		2,120	2,012	1,588
Debtors		12,575	10,667	8,591
Cash at bank	6	446	252	4,202
		15,141	12,931	14,381
Creditors: amounts falling due within one year	2	(20,770)	(10,419)	(12,978)
Net current (liabilities)/assets		(5,629)	2,512	(1,403)
Total assets less current liabilities		21,249	11,808	12,343
Creditors: amounts falling due after more than one year	6	(10,819)	(2,700)	(2,550)
Provisions for liabilities and charges				
Pension scheme		(498)	(498)	(498)
Deferred tax		(50)	–	(100)
		(548)	(498)	(598)
Total net assets		9,882	8,610	9,195
Capital and reserves				
Called up share capital		229	212	222
Share premium account		6,846	6,447	6,658
Capital redemption reserve		578	578	578
Profit and loss account		2,229	(1,373)	1,737
Equity shareholders' funds		9,882	8,610	9,195

Consolidated Cash Flow Statement

	Notes	Unaudited six months ended 31 December 2005 £000	Unaudited six months ended 31 December 2004 £000	Audited year ended 30 June 2005 £000
Net cash inflow from operating activities	5	300	1,112	4,787
Returns on investments and servicing of finance				
Interest received		7	–	6
Interest paid on bank loans, overdraft and loan stock		(47)	(212)	(225)
Net cash outflow from returns on investments and servicing of finance		(40)	(212)	(219)
Taxation (paid)/recovered		(60)	143	138
Capital expenditure and financial investments				
Purchase of tangible fixed assets		(610)	(536)	(2,671)
Purchases of subsidiaries		(7,104)	–	–
Settlement of acquired debt		(5,380)	–	–
Proceeds on disposal of tangible fixed assets		–	–	2,350
Net cash outflow from capital expenditure and financial investments		(13,094)	(536)	(321)
Acquisitions and disposals				
Cash received with acquisitions		40	–	–
Equity dividend paid		(275)	(211)	(211)
Net cash (outflow)/inflow before use of liquid resources and financing		(13,129)	296	4,174
Financing				
Issue of ordinary share capital		(193)	8	229
Loan notes repaid		(15)	(9)	–
Repayment of bank loans	6	(2,850)	–	–
Drawdown of bank loans	6	12,100	600	450
Hire purchase		(54)	–	–
Net cash inflow from financing		9,374	599	679
(Decrease)/Increase in cash in the period		(3,755)	895	4,853

Notes

1. The Interim Report, which is unaudited, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (as amended). The comparative figures for the financial year ended 30 June 2004 are not the company's statutory accounts for that financial year but are derived from them. Those accounts have been reported on by the company's Auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. There is no difference between the profits reported and the profits on an historical cost basis. The Interim Report has been prepared on the basis of the accounting policies consistent with those set out in the Report and Accounts of the company for the financial year ended 30 June 2005.
2. The accrued exceptional costs of £500,000 relates to the disruption and reorganisation costs associated with major projects following the acquisitions. (2004 – exceptional profit relates to the sale of surplus land at Cardiff). Also included within creditors falling due within one year is the deferred consideration of £3,500,000 relating to the recent acquisitions.
3. The earnings per share for the period are calculated on the weighted average number of shares in issue, 22,520,707 (2004 – 21,140,220 and 2005 – 21,435,207). Fully diluted earnings per share are based on 26,323,322 shares (2004 – 23,239,158 and 2005 – 24,204,177).
4. Goodwill relating to the acquisition of Memory Lane Cakes and Nicholas & Harris is being amortised over 20 years, goodwill relating to the recent acquisitions of California Cakes Ltd, Campbells Cakes Ltd and United Central Bakeries Ltd has not been amortised but is subject to an annual impairment review.
5. Working capital in California Cake Company Limited at the time of acquisition was low due to its previous intercompany funding arrangements. As anticipated this has led to a one off increase in working capital in that business of £748,000 over the period.
6. At the balance sheet date the Group had drawn down a mortgage of £5,600,000, a term loan of £5,000,000 and asset finance of £1,500,000. The Group also has a further asset finance facility of £1,500,000, an undrawn term loan of £3,500,000 and an overdraft facility of £5,000,000.
7. This interim report is being sent to shareholders and warrant holders and copies are available from the Company Secretaries, City Group PL.C. at the Registered Office at 30 City Road, London EC1Y 2AG.



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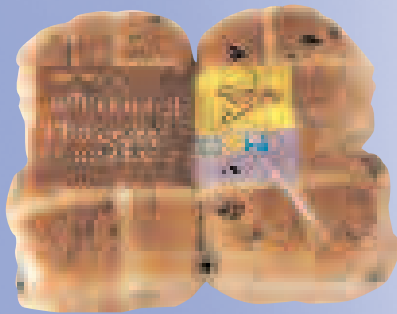
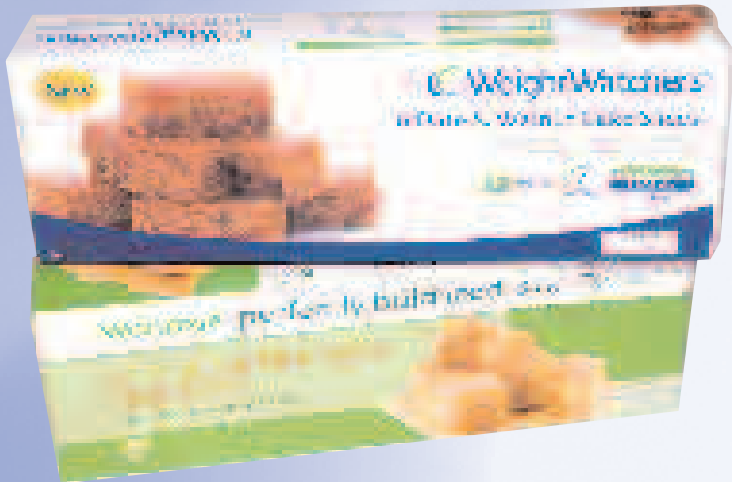
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