

Press Announcement
19th February, 2003

Finsbury Food Group is pleased to announce today that it has entered into an agreement to acquire the speciality bread and cake baking business, and trading name, of Nicholas & Harris ("N&H") from Nicholas & Harris Limited. The business being acquired operates from production sites in Salisbury and Basingstoke. The acquisition brings significant business with a major retailer, to whom Finsbury Food Group had little prior exposure, and this substantially improves our customer base.

The leases on the Basingstoke site terminate on 30th June 2003. In line with Group strategy, we anticipate that all of N&H's cake manufacture will be transferred to our existing site in Cardiff, and all speciality bread will be manufactured in Salisbury. Our plans are subject to consultation with the workforce in Basingstoke. Both the Cardiff and Salisbury sites will have substantial capacity available after the re-organisation to cater both for organic growth and transfer of production from any future acquisitions.

N&H turnover in the 52 weeks ended 28th June 2002 was £11.4 million split roughly 2/3rds speciality bread and 1/3rd cake. The business generated gross margins of £3.5 million in that period. Net assets and stock being acquired have a value of £2.0 million.

Consideration for this acquisition will be in cash, £2.5 million payable on completion and £0.5 million payable six months later. Additional performance related consideration may be paid in cash in autumn 2004, bringing the total consideration to 4.5 times the operating profit after tax generated solely by the Salisbury speciality bread baking operations in the year ending 30th June 2004, subject to a maximum of £2 million. No additional amounts will be due in respect of profits generated by the cake operations proposed to be transferred to Cardiff. The acquisition will be financed using cash balances and existing bank facilities.

This acquisition will increase the product range that Finsbury Food Group can offer to existing customers, further diversify its customer base, and improve capacity utilisation in Cardiff. The acquisition is expected to be earnings enhancing in the financial year ending on 30th June 2004. Salisbury will generate cash from operations immediately and the transfer of production from Basingstoke will not require significant capital investment.

For further information:

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