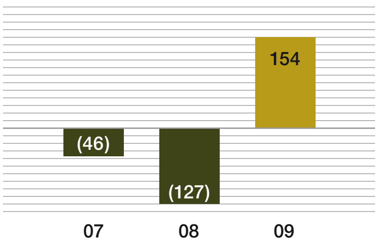
Group financial results

Positive free cash flow[1]

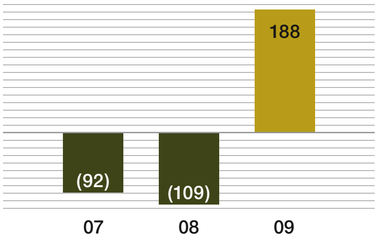
Year to 31 March
£m



1 Free cash flow is defined as cash flow from continuing operations after interest, taxation and capital expenditure.

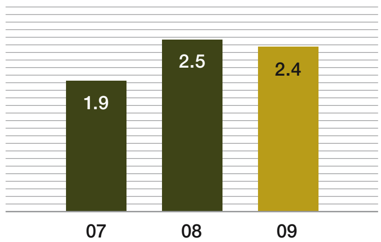
Underlying improvement in net debt

Year to 31 March
£m



Improvement in net debt to EBITDA[2] multiple

Year to 31 March



2 EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

Free cash flow improved from an outflow of £127 million in 2008 to an inflow of £154 million in 2009. This improvement was principally driven by working capital inflows, particularly during the second half of the year.

Before the effects of exchange, the underlying movement in net debt improved from increases of £92 million and £109 million in 2007 and 2008 respectively to a reduction of £188 million in 2009. Good progress has been made by all areas of the business through a continuous focus on working capital, cost base, capacity management and control of capital expenditure.

Net debt to EBITDA multiple is one of the business key performance indicators of our financial strength. The ratio improved to 2.4 times in 2009 compared to 2.5 times in the comparative period. In 2009, we amended the calculation basis so that net debt is translated at the same average exchange rates as EBITDA.

Tate & Lyle continues to be a well-financed business and our inherent ability to generate strong cash flows, assisted by the ending of our major capital expenditure programme, will help drive a stronger balance sheet in the year ahead.

Tim Lodge, Group Finance Director

Summary of Group financial results

£m (unless stated otherwise)	**Year to 31 March 2009**	Year to 31 March 2008	Actual change %	Constant currency change %
Continuing operations				
Sales	3 553	2 867	24	8
Adjusted operating profit	**298**	295	1	(15)
Net finance expense	**(51)**	(42)		
Profit before tax, exceptional items and amortisation	**247**	253	(2)	(18)
Exceptional items	**(119)**	(59)		
Amortisation of acquired intangibles	**(15)**	(12)		
Profit before tax	**113**	182	(38)	(47)
Income tax expense	**(19)**	(76)		
Profit for the year from continuing operations	**94**	106	(11)	(21)
(Loss)/profit for the year from discontinued operations	**(24)**	81		
Profit for the year	**70**	187	(63)	(67)
Earnings per share				
Basic	**14.2p**	40.9p	(65)	(70)
Diluted	**14.1p**	40.4p	(65)	(69)
Adjusted earnings per share from continuing operations				
Basic	**38.2p**	35.0p	9	(8)
Diluted	**38.0p**	34.6p	10	(8)
Dividends per share				
Interim paid	**6.8p**	6.5p		
Final proposed	**16.1p**	16.1p		
	22.9p	22.6p	1	1
Net debt				
At 31 March	**1 231**	1 041	(18)	18

Group financial results
continued

Basis of preparation

Adjusted performance
We present adjusted profit figures as they provide both management and investors with valuable additional information on the performance of the business. The following items are excluded from adjusted profit:

- results of discontinued operations, including gains and losses on disposal (see Note 12 to the financial statements);
- exceptional items from continuing operations (see Note 8 to the financial statements); and
- amortisation of acquired intangibles.

We use this adjusted information internally for analysing the performance of the business. A reconciliation of reported and adjusted information is included in Note 43 to the financial statements.

Impact of changes in exchange rates
Our results have been positively impacted this year by exchange rate translation, in particular due to the strengthening of the US dollar and euro against sterling. The average and closing exchange rates used to translate reported results were as follows:

	Average rates		Closing rates	
	2009	2008	**2009**	2008
US dollar: sterling	**1.80**	2.01	**1.43**	1.99
Euro:sterling	**1.19**	1.42	**1.08**	1.26

Constant currency comparisons have been calculated by translating sales and profits in underlying currencies for the prior year at the average rates for the current year. Constant currency comparisons provide an insight into the movements in sales and cost levels driven by the real local changes, demonstrating the progress in the underlying profitability of the business.

In addition to the impact on profits, the weakening of sterling has had the effect of increasing our net debt even though we have generated cash through the year. Further details are set out in the net debt section below.

Primary and value added products
Value added products are those that utilise technology or intellectual property, enabling our customers to produce distinctive products and us to obtain a price premium and/or sustainable higher margins.

Other products from our commodity corn milling and sugars businesses are classified as primary.

Summary of Group performance

Sales
Sales of £3,553 million from continuing operations were 24% higher than the prior year. After excluding the effects of exchange, sales were 8% higher. Growth was reported in all divisions.

Primary sales increased by 25% (10% in constant currency) from £2,065 million to £2,584 million with exchange accounting for £290 million of the increase. All divisions except Food & Industrial Ingredients, Europe reported growth in primary sales on a constant currency basis. Value added sales increased by 21% (4% in constant currency) to £969 million, driven by a full year's contribution from Hahn and exchange effects.

Adjusted operating profit
Overall adjusted operating profit increased by 1% (decreased by 15% in constant currency) to £298 million. Value added operating profit increased by 15% to £184 million (decreased by 1% in constant currency), while primary operating profit decreased by 20% (33% in constant currency) to £132 million. Central costs decreased from £31 million to £18 million in the year.

In addition to the effects of exchange rate changes, operating profit has been affected by several one-off items. We recognised additional costs of £28 million associated with ethanol and the commissioning of the capacity expansion at our plant in Loudon, Tennessee. We recognised gains totalling £11 million from restructuring aid in Greece and the Netherlands, a gain of £3 million on the final settlement of deferred consideration payable arising from the realignment of our global sucralose alliance with McNeil Nutritionals in 2004, and profits on the sale of property and a lease curtailment totalling £7 million. The mechanical failure of a boiler in April 2008 at our Decatur, Illinois plant resulted in costs of £5 million.

Amortisation of acquired intangibles increased to £15 million from £12 million in 2008, reflecting the impact of exchange translation and the full year effect of the intangibles acquired with Hahn.

We recognised exceptional items of £119 million. The mothballing of our McIntosh, Alabama sucralose facility resulted in an impairment charge of £97 million in the year ended 31 March 2009. Within our Food & Industrial Ingredients, Americas division, we incurred an exceptional charge of £24 million in relation to a dispute with a supplier over the performance and suitability of ethanol dehydration equipment at our Loudon, Tennessee and Fort Dodge, Iowa plants, and recognised a credit of £11 million representing our share of the £22 million settlement of the NAFTA case against the Mexican government in relation to the sales tax imposed on soft drinks containing imported high fructose corn syrup.

Within the Sugars division, a review of the carrying value of our sugar refinery in Israel resulted in an impairment charge of £9 million which has been recognised in the year.

The net finance expense from continuing operations increased from £42 million to £51 million. The exchange impact within interest accounted for an increase of £7 million compared to the prior year. We recognised a charge within interest expense in the current year relating to post-retirement benefit plans of £3 million (compared with a credit of £4 million in the prior year). At constant currency, we benefited from lower average interest rates compared to the prior year.

Profit before tax from continuing operations on a statutory basis decreased by 38% (47% in constant currency) from £182 million to £113 million.

The effective rate of tax on adjusted profit was 27.3% (2008 – 33.2%). The decrease was due mainly to changes in the geographical origin of profits, especially lower levels of profits in the US, and the implementation of our internal financing plan.

Discontinued operations, comprising our former activities in International Sugar Trading and our Eastern Sugar business, reported a loss after tax of £24 million including an exceptional loss on disposal of the International Sugar Trading business of £22 million. We expect gains in the 2010 financial year from anticipated disposals of investments not included in the sale, but held in connection with our International Sugar Trading business to largely offset this exceptional loss. Discontinued operations in the 2008 financial year also comprised our Canadian and Mexican sugar businesses and the disposed European starch plants, and we recorded an overall profit of £81 million (after exceptional gains of £60 million) in that year.

Total basic earnings per share were 14.2p (2008 – 40.9p), 65% lower than the prior year. Total diluted earnings per share were 14.1p (2008 – 40.4p), down 65% from the prior year. Adjusted diluted earnings per share from continuing operations were 38.0p (2008 – 34.6p), an increase of 10% (decrease of 8% in constant currency). On the same basis, basic earnings per share were higher by 9% (8% lower in constant currency) at 38.2p (2008 – 35.0p).

Divisional primary and value added performance

	Sales			Adjusted operating profit		
Division	**2009 £m**	2008 £m	Movement[1] %	**2009 £m**	2008 £m	Movement[1] %
Food & Industrial Ingredients, Americas	**1 797**	1 386	9	**181**	186	(19)
Food & Industrial Ingredients, Europe	**539**	461	(1)	**51**	41	7
Sugars	**1 048**	872	13	**12**	33	(66)
Sucralose	**169**	148	(4)	**72**	66	(4)
Central	**–**	–	n/a	**(18)**	(31)	42
Continuing operations	**3 553**	2 867	8	**298**	295	(15)

	Sales			Adjusted operating profit		
	2009 £m	2008 £m	Movement[1] %	**2009 £m**	2008 £m	Movement[1] %
Primary	**2 584**	2 065	10	**132**	166	(33)
Value added	**969**	802	4	**184**	160	(1)
Central	**–**	–	n/a	**(18)**	(31)	42
Continuing operations	**3 553**	2 867	8	**298**	295	(15)

1 On a constant currency basis (adjusting 2008 reported figures using 2009 exchange rates).