# Transforming raw materials into quality ingredients used by millions of people every day.

Annual Report 2009

Tate & Lyle is a world-leading manufacturer of renewable food and industrial ingredients. We use innovative technology to transform corn and sugar into quality ingredients used by millions of people every day.

**Cautionary statement**
Please read the full cautionary and non-reliance statements which can be found on page 168.

**Environmental statement**
This report is printed on 'Look!' paper and has been independently certified on behalf of the Forest Stewardship Council (FSC).

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**Tate & Lyle PLC**
Tate & Lyle PLC is a public limited company listed on the London Stock Exchange and registered in England. This is the report and accounts for the year ended 31 March 2009. More information about Tate & Lyle can be found on our website at www.tateandlyle.com.

**Definitions**
In this report, 'Company' means Tate & Lyle PLC, 'Tate & Lyle' or 'Group' means Tate & Lyle PLC and its subsidiary and joint-venture companies.

**Trademarks**
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## Overview of the year

Sir David Lees and Iain Ferguson summarise Tate & Lyle's results for the past year and how we measure our performance.


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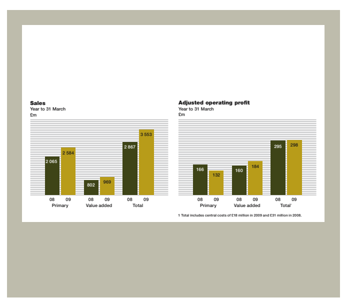




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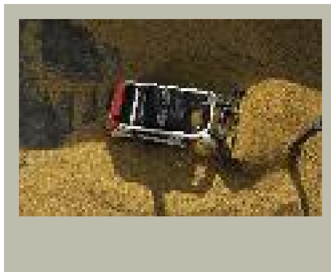



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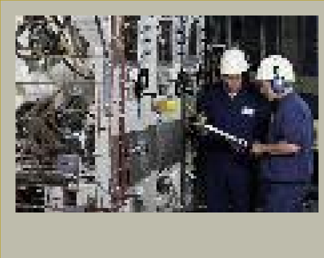



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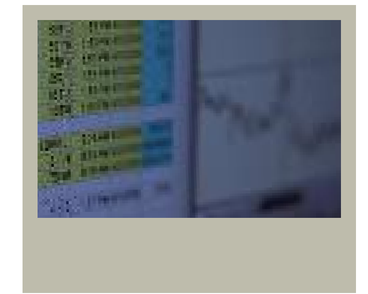


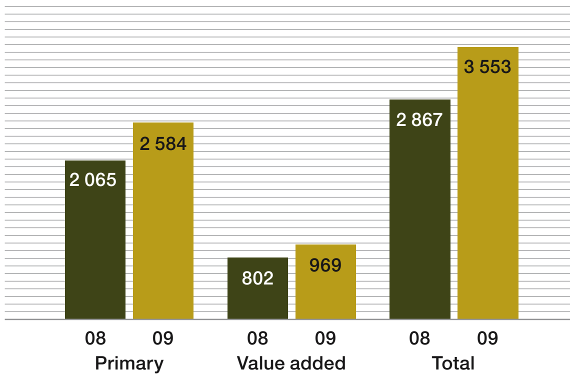
# Performance highlights

## Tate & Lyle performed soundly despite an increasingly challenging economic environment as the year progressed. The Board is recommending a maintained final dividend of 16.1p per share, making a full year dividend of 22.9p per share, an increase of 1.3% over the prior year.

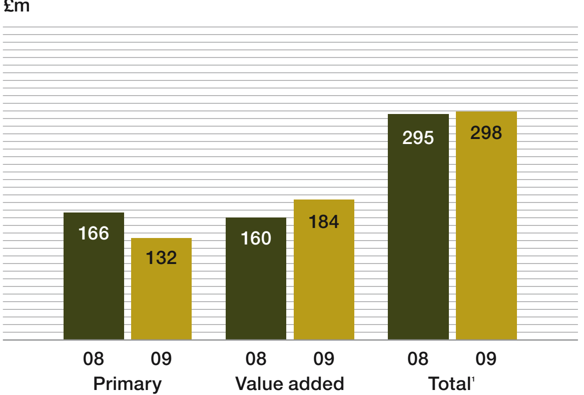
**Statutory results**

| | **Year ended 31 March 2009** | Year ended 31 March 2008 |
|---|---|---|
| Profit before tax (continuing operations) | **£113m** | £182m |
| Profit for the year (total operations) | **£70m** | £187m |
| Diluted earnings per share (continuing operations) | **19.4p** | 23.6p |

**Sales**
Year to 31 March
£m




**Adjusted operating profit**
Year to 31 March
£m

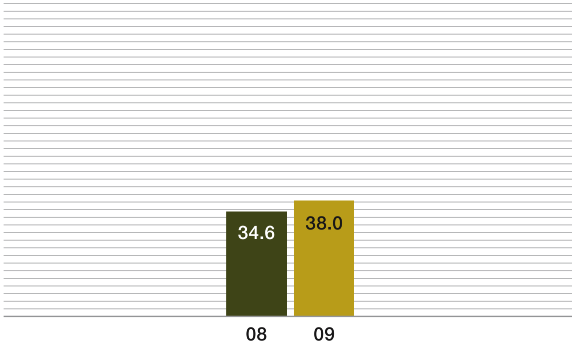



1 Total includes central costs of £18 million in 2009 and £31 million in 2008.

**Primary and value added products**
Value added products are those that utilise technology or intellectual property enabling our customers to produce distinctive products and Tate & Lyle to obtain a price premium and/or sustainable higher margins. Other products from our commodity corn milling and sugar businesses are classified as primary.

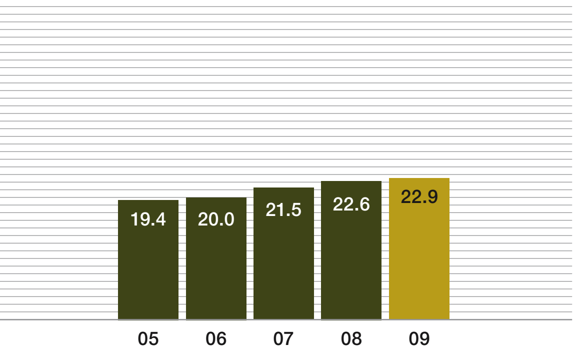
## Adjusted diluted earnings per share

Year to 31 March
pence



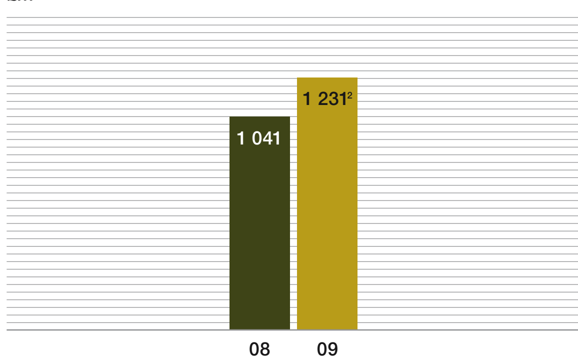

## Dividends per share

Year to 31 March
pence




## Net debt

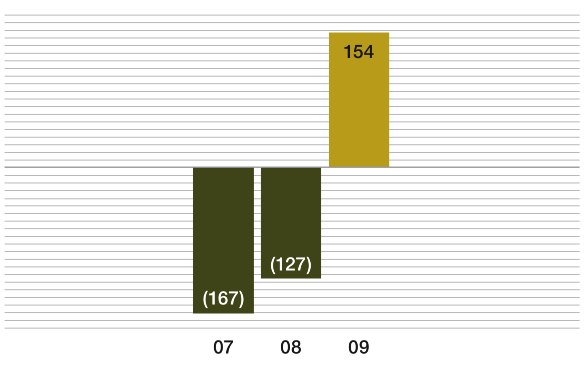
As at 31 March
£m




2 Exchange rate movements increased net debt by £378 million in the year ended 31 March 2009. Excluding movements in exchange rates, net debt reduced by £188 million.

## Free cash flow[3]

Year to 31 March
£m




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

**Basis of preparation**
Unless stated otherwise, the Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Information prior to 2005 is shown under Generally Accepted Accounting Practice in the UK (UK GAAP).

**Adjusted operating profit and adjusted earnings per share**
Unless stated otherwise, adjusted operating profit and adjusted earnings per share in this annual report and accounts exclude discontinued operations and are before exceptional items and amortisation of acquired intangible assets.

**Amortisation**
Unless stated otherwise, the use of the word 'amortisation' on pages 1 to 96 in this annual report relates to the amortisation of acquired intangible assets.

**Continuing operations**
Unless stated otherwise, all comments in this annual report and accounts refer to the continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

# Group at a glance

**Through our four divisions based largely in the Americas, Europe and South East Asia, Tate & Lyle makes quality ingredients for customers all over the world in the food and beverage, industrial, pharmaceutical and animal feed markets.**

## Food & Industrial Ingredients, Americas

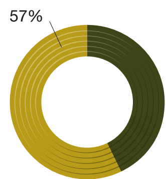
- Large-scale corn processor with plants centred in the US corn belt or near key markets
- Produces a range of ingredients including starches (food and industrial), sweeteners, proteins, acidulants, biogums and ethanol, and provides speciality blending services
- Employees at 31 March 2009: 2,513

**Contribution to sales**

51%

**Contribution to adjusted operating profit[1]**

57%



**Plants**
10 USA[2], 1 Mexico, 2 South America

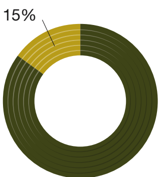
**Blending facilities**
2 USA, 1 Mexico

## Food & Industrial Ingredients, Europe

- Single Ingredients and Food Systems businesses
- Single Ingredients (corn processing) produces a range of ingredients including starches (food and industrial), sweeteners and ethanol
- Food Systems provides stabiliser systems, hydrocolloids and speciality blending services
- Employees at 31 March 2009: 1,325

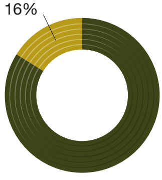
**Contribution to sales**

15%



**Contribution to adjusted operating profit[1]**

16%



**Plants**
6 EU, 1 Morocco, 1 Turkey

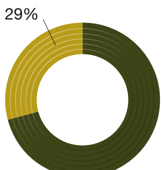
**Blending facilities**
4 EU, 1 South Africa
1 Australia

1 For the year ended 31 March 2009 and excluding central costs.
2 Including Fort Dodge, Iowa under construction.

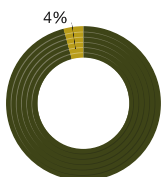
## Sugars

- Largest cane sugar refiner in EU
- Produces a range of sugars, syrups and molasses
- Sugar brands: Tate & Lyle Sugars (UK); Melli (Vietnam); and Sidul/Sores (Portugal)
- Syrup brand: Lyle's Golden Syrup (UK)
- Molasses distribution, blending and liquid storage
- Employees at 31 March 2009: 1,339

**Contribution to sales**




**Contribution to adjusted operating profit**[1]




**Plants**

3 EU, 1 Israel, 1 Vietnam,

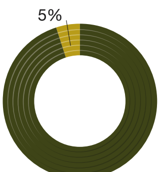
**Blending facilities**

10 global molasses

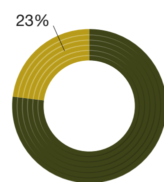
## Sucralose

- Producer of SPLENDA® Sucralose, a no-calorie high-intensity sweetener
- Manufactured by a patented process starting with cane sugar
- Used to sweeten over 4,000 products worldwide in the food, beverage and pharmaceutical markets
- Employees at 31 March 2009: 260

**Contribution to sales**




**Contribution to adjusted operating profit**[1]




**Plants**

1 Singapore, 1 USA[3]

1 For year ended 31 March 2009 and excluding central costs.
3 McIntosh, Alabama being mothballed.

# Chairman's statement

## Balance sheet management has been and continues to be a top priority.

Sir David Lees

**Results**
Tate & Lyle performed soundly despite an economic environment that grew increasingly challenging as the year progressed. Balance sheet management has been and continues to be a top priority. At 31 March 2009 undrawn committed bank facilities amounted to more than £500 million, and, including immediately available cash resources, our liquidity headroom rises to approximately £750 million. We remain comfortably within our banking covenants.

Sales for the year ended 31 March 2009 were £3,553 million, 24% higher (8% in constant currency) than the prior year. Profit before tax, adjusted to exclude exceptional items and amortisation of acquired intangible assets at £247 million was 2% lower (18% in constant currency) than the prior year, and adjusted diluted earnings per share at 38.0p were 10% higher (8% lower in constant currency).

Exchange translation increased profit before tax by £49 million compared to the prior year. The stronger US dollar contributed 83% of this increase, although it also reduced the competitiveness of products from our US ingredients business in overseas markets, particularly Mexico and South America.

Net debt increased by £190 million to £1,231 million. Before the effects of exchange, net debt decreased by £188 million. The impact of exchange movements during the year, which increased debt by £378 million, was due principally to the weakness of sterling against the US dollar.

**Dividend**
The Board is recommending a maintained final dividend of 16.1p, making a full year dividend of 22.9p per share, an increase of 1.3% over the prior year. In reaching this decision, the Board was mindful of the need to at least maintain the Company's investment-grade credit ratings. The full year dividend is covered 1.7 times by earnings from continuing operations before exceptional items and amortisation of acquired intangible assets. The proposed final dividend will be due and payable on 31 July 2009, subject to shareholder approval, to all shareholders on the Register of Members at 3 July 2009.

**The Board**
There have been significant changes on the Board since the last AGM. Tim Lodge was appointed Group Finance Director in December 2008 following a short period as Acting Group Finance Director. Tim has worked for Tate & Lyle for over 20 years and has held a variety of senior operational and financial roles. His comprehensive knowledge and understanding of our business is a considerable asset.

Last year the Board agreed a succession plan to address the anticipated retirements of both Iain Ferguson and myself.

In November 2008 we announced that Sir Peter Gershon had been appointed as a non-executive director of the Company from 1 February 2009, and that he would succeed me as Chairman by the end of the 2009 calendar year. Sir Peter's biographical details are set out on page 60 of this annual report. I am delighted that Sir Peter has joined the Board and we are working closely together as we transition the chairmanship.

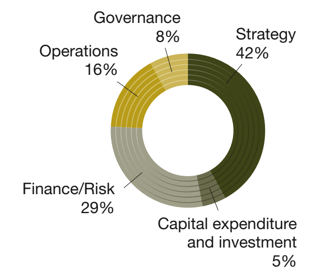
Sir Peter's appointment as Chairman-elect was a necessary precursor to the recruitment of a new Chief Executive to succeed Iain Ferguson. In May 2009 we announced that Javed Ahmed would take over from Iain later this year. Javed is currently Executive Vice President, Europe for Reckitt Benckiser having held a number of senior leadership roles within that group over the last 17 years in both Europe and North America. He started his career with Procter & Gamble before spending five years with Bain & Co working in both London and Boston.

Iain Ferguson joined Tate & Lyle six years ago. He has brought considerable change to Tate & Lyle in particular with regard to the implementation of our value added strategy, the reduction in the Group's exposure to risks in our commodities businesses and, more recently, in the re-organisation of the Group's senior management structure. The Board is greatly appreciative of his contribution.

## Governance

The chart above shows the time spent by the Board at its meetings in the year ended 31 March 2009 allocated between various responsibilities. While the Board continues to spend the largest amount of its time on strategy (42%), this was 9% less than last year as the increasingly challenging economic environment led to the Board spending more time on operations, finance and risk management.

**Board allocation of time**
Year ended 31 March 2009




During the year the Board carried out its annual evaluation of the effectiveness of the Board. Having used an independent facilitator for the previous year's evaluation, the 2009 evaluation was carried out by myself. The evaluation involved one-to-one performance evaluation meetings with each director and the Company Secretary. The main themes and comments arising from these meetings were presented to the Board for discussion and the recommendations made are being or will be implemented. As is invariably the case, the exercise has proved rewarding.

## Outlook

The continuing global recession, and its uncertain impact on customer demand, makes it difficult to predict with confidence the outlook for the year ending 31 March 2010.

In the near term, the actual level of customer demand and net corn costs will be key factors in determining our performance. Following destocking at the end of the 2008 calendar year, order levels from food and beverage customers appear to have stabilised, although at lower levels than the prior year. Demand for industrial starches remains weak.

In the second half of the 2010 financial year, our performance will also be influenced by pricing in the EU sugar operations following the final institutional price reduction on 1 October 2009. We expect this to generate improved margins. Of likely greater influence will be the timing of the recovery in ethanol margins and the outcome of the 2010 calendar year US sweetener pricing round.

Tate & Lyle's 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. By delivering this, and continuing to take decisive and timely actions where necessary, Tate & Lyle will emerge a leaner, stronger and more flexible business, well-positioned to benefit from the economic recovery as and when it comes.

**Sir David Lees**
**Chairman**
*27 May 2009*

## Postscript

This will be my last Chairman's statement before I hand on to Sir Peter. Tate & Lyle is a great company that has existed for over 100 years. Corporate longevity is only possible through an endless process of regeneration which, inter alia, involves responding to the changing needs of customers and reliance on the integrity and loyalty of employees. Continuing to follow these principles should ensure a successful future for Tate & Lyle.

# Chief Executive's review

## Tate & Lyle delivered a sound set of results underpinned by continuing growth from core value added food ingredients.

Iain Ferguson CBE

**Overview**
Overall, Tate & Lyle delivered a sound set of results. Sales for the year ended 31 March 2009 were £3,553 million, 24% higher (8% in constant currency) than the prior year. Adjusted profit before tax was £247 million, 2% lower (18% in constant currency) than the prior year. Profit before tax, after exceptional items and amortisation of acquired intangible assets, decreased by 38% (47% in constant currency) to £113 million. Adjusted diluted earnings per share of 38.0p were 10% higher (8% decrease in constant currency), benefiting from a lower effective tax rate of 27.3% (2008 – 33.2%).

Exchange translation increased adjusted profit before tax by £49 million compared to the prior year. The strengthening of the US dollar contributed 83% of this increase, although it also reduced the competitiveness of products from our US ingredients business in overseas markets, particularly Mexico and South America.

Following a breakthrough in sucralose manufacturing yields, we have taken the decision to mothball our McIntosh, Alabama facility and produce all of our sucralose from the newer and more efficient fourth-generation facility in Singapore. We have recognised an exceptional charge of £97 million in the 2009 financial year reflecting the impairment of the carrying value of our McIntosh plant. Anticipated cash costs of £60 million associated with this decision will be paid over three years and recognised as an exceptional charge in the year ending 31 March 2010. These cash costs are expected to have a three year payback resulting from the reduced operating costs of having a single plant. The McIntosh facility will retain a core group of employees and, if needed, can be restarted and begin manufacturing sucralose within a few months.

Net debt increased by £190 million to £1,231 million. Before the effects of exchange, net debt decreased by £188 million. The impact of exchange movements during the year, which increased debt by £378 million, was due principally to the weakness of sterling against the US dollar.

**A well-financed business**
Tate & Lyle is a well-financed business with an inherent ability to generate strong cash flows. In the year ended 31 March 2009, the final year of our four-year major capital investment programme, our total operations generated £245 million (2008 – absorbed £160 million) of cash after the payment of dividends. Net debt at 31 March 2009 of £1,231 million was £188 million lower than net debt at 31 March 2008 before the effects of exchange. A number of projects have been established to reduce debt further and we are pleased with their progress to date.

The key performance indicators (KPIs) of our financial strength, the ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) and interest cover, remain within our internal targets.

At 31 March 2009 the net debt to EBITDA ratio was 2.4 times (2008 – 2.5 times)[1], compared to our internal target of 2.5 times or less and comfortably within our bank covenants. Interest cover on total operations at 31 March 2009 was 6.1 times (2008 – 7.8 times), again ahead of our internal target of above 5.0 times and well ahead of our bank covenants.

Return on net operating assets reduced to 12.7% from 15.5% in the prior year. This reduction was principally due to the lower returns from our EU sugar business, reduced profits from industrial starches and the investment in our new corn wet mill in Fort Dodge, Iowa, which was not commissioned during the financial year.

We continue to have a conservative debt maturity profile. The Group's undrawn committed bank facilities at 31 March 2009 were US$752 million (£524 million) and, additionally, cash resources were £434 million. Average gross debt maturity at 31 March 2009 was 4.8 years. Our next major refinancing is due in June 2011 when the US$300 million 144A bond matures.

**A solid platform for growth**
Our four-year major capital investment programme to support long-term growth in our business was essentially completed during the year.

The expansion of our corn wet mill in Sagamore, Indiana, to increase capacity for a variety of value added starches used by customers in dairy, beverages, snacks and dressings, was commissioned in the 2008 financial year and is performing in line with our expectations. Value added food production has been a key area of strategic focus and investment for Tate & Lyle over the past four years, so it is pleasing to report that adjusted operating profit from core value added food ingredients across the business in the year to 31 March 2009 increased by 20% (3% in constant currency) to £107 million (2008 – £89 million). In March 2009 the second tranche of equipment required to meet design capacity at our corn wet mill in Loudon, Tennessee was installed. At the same time, the opportunity was taken to re-engineer the plant's manufacturing footprint to provide additional flexibility to swing capacity between key product lines. Also in March 2009, the new biomass boiler at our London sugar cane refinery was mechanically completed and commissioning work is currently underway.

In April 2009, in light of the continuing short-term severe pressure on ethanol margins, we announced our decision to postpone final completion of the construction and start-up of the new corn wet mill at Fort Dodge, Iowa until market conditions improve. Construction activities at the plant had been progressing satisfactorily and the facility is about 95% complete. We are keeping the situation under review. We continue to believe that the US government's commitment to bio-fuels through the Renewable Fuel Standard (RFS) underpins the future viability of the US ethanol industry.

Our investment programme has established a solid platform for future growth. While the current economic environment has led utilisation rates to be somewhat below our original expectations, our enhanced asset base leaves us well positioned to benefit as market conditions improve. Within this, the flexibility we have built into our US plant network (to switch between finished products) gives us added protection against the impact of lower utilisation rates.

**Taking decisive actions to maximise cash flow**
To sustain the health of our business in the face of challenging and unpredictable market conditions, we have taken a number of decisive actions to maximise cash flow and defend our profitability. We have accelerated existing cost reduction projects, launched new cost reduction projects and taken a number of tough decisions to ensure our cost base is appropriate in light of the new economic realities. Actions taken to date include initiatives to reduce working capital, a pay freeze at all levels, plant shutdowns, a wide-ranging review of discretionary expenditure and headcount reductions across the business. Management of capital expenditure is a key area of focus, and we will restrict expenditure to below the depreciation charge in the year ending 31 March 2010.

**Benefiting from a breakthrough in sucralose manufacturing yields**
In the last year, our sucralose manufacturing facilities have achieved significant and sustainable yield improvements of over 25% which have had the effect of significantly increasing production capacity. Consequently, we have taken the decision to mothball our McIntosh, Alabama facility, and produce all our sucralose from our newer and more efficient fourth generation facility in Singapore. The McIntosh facility will retain a core group of employees and, if needed, can be re-started and begin manufacturing sucralose within a few months.

The McIntosh facility has played a key role in establishing the prominent position of sucralose in the global high-intensity sweetener market. The expansions of the facility from 2004 were critical for the development of sucralose as we had to move swiftly to meet the surge in customer demand that created the platform for its subsequent success.

Our decision to mothball the McIntosh facility, made possible by the breakthrough in manufacturing yield achieved over the last 12 months, will ensure that we remain the most efficient and lowest cost producer of sucralose in the market. This action will have no impact on our customers as, due to the yield increases and our ability to maintain high levels of safety stocks, the Singapore facility has more than enough capacity to meet current market needs. Our SPLENDA® Sucralose business continues to perform well and we remain confident of its long-term future. The financial impacts arising from our decision to mothball the McIntosh plant are set out in the Overview section above and the Exceptional items section on page 12.

1 In prior years, net debt for covenant calculation was translated at year-end exchange rates while EBITDA from continuing operations was translated at average exchange rates. So that the ratio reflects the underlying economic conditions, an amendment was unanimously agreed with the participants in the US$1 billion Revolving Credit Facility that net debt and EBITDA be both calculated on average exchange rates. Under the previous calculation, net debt/EBITDA would have been 2.9 times (2008 – 2.6 times).

# Chief Executive's review
continued

## Vision
To create the world's leading renewable ingredients business.

## Strategy
To build a stronger value added business on a low-cost commodity base.

## Key performance indicators

Tate & Lyle's Board and executive management (see pages 60 to 62) monitor a range of financial and non-financial performance indicators, reported on a periodic basis, to measure the Group's performance over time. Annual targets are set for base key performance indicators (KPIs) in line with the Company's strategic objectives.

### Interest cover[1]

| Target | min 5.0 times |
|---|---|
| 2009 | 6.1 times |
| 2008 | 7.8 times |
| 2007 | 8.4 times |

1 Measured by financial year on total operations

**Description.** This is the Group's total operating profit before exceptional items and amortisation divided by net finance expense, as defined in our bank covenants. Or, the number of times the profit of the Group exceeds interest payments made to service its debt.

**Comment.** Our interest cover remains above our target.

### Net debt to EBITDA multiple[1]

| Target | max 2.5 times |
|---|---|
| 2009 | 2.4 times |
| 2008 | 2.5 times |
| 2007 | 1.9 times |

1 Measured by financial year on continuing operations and translating net debt at the same average exchange rates as EBITDA

**Description.** This is the number of times the Group's net borrowing exceeds its trading cash flow. EBITDA is earnings before exceptional items, interest, tax, depreciation and total amortisation.

**Comment.** We are within our target and comfortably within that of our bank covenants.

### Return on net operating assets[1]

| Target (longer-term) | 20.0% |
|---|---|
| 2009 | 12.7% |
| 2008 | 15.5% |
| 2007 | 18.9% |

1 Measured by financial year on total operations

**Description.** This is the Group's total profit before interest, tax and exceptional items divided by the average net operating assets.

**Comment.** We are below both our initial target of a Group return on net operating assets (RONOA) of 15%, and our longer-term target of a RONOA of 20%.

### Energy use[1]

| Target | 3.0% reduction |
|---|---|
| 2008 | zero |
| 2007 | 1.3% reduction |
| 2006 | 1.2% reduction |

1 Measured by calendar year

**Description**. Energy use is our most significant environmental impact. Our businesses have a target to reduce energy consumption on a per unit basis by 3% each year.

**Comment**. Our 3% target is becoming increasingly challenging as value added products typically use more energy than our traditional products. Further information on the Group's energy use can be found on pages 73 to 75.

### Safety index[1]

| Target | zero |
|---|---|
| 2008 | 1.16 |
| 2007 | 2.08 |
| 2006 | 2.41 |

1 Measured by calendar year

**Description**. Our safety index compares safety performance across the Group and is a weighted average of injuries sustained in the workplace, with severe accidents having greater impact. The lower the index, the better the performance.

**Comment**. Employee safety showed good progress in 2008 with a 44.2% improvement on 2007. Further information can be found on pages 70 to 72.

Information on the RONOA, energy use and safety performance of each business division can be found on pages 36 to 51.

## Business drivers

We focus on five areas to deliver our strategy.

**Operate efficiently and safely**
To be the lowest-cost, most efficient producer in all our markets, with safe conditions at our sites for everyone.
*We continually work to improve our operational efficiency through our expertise in high-volume process management, our focus on technical and manufacturing excellence, and efficiently using services like logistics and utilities.*

**Serve our customers**
To deliver excellent customer service, be the partner of choice in our customers' innovation processes and help them develop successful consumer products.
*Our cross-functional teams work with customers to provide consumer and customer insights and to support new product innovation opportunities.*

**Grow the contribution from value added products**
This is a key driver of our strategy.
*Value added ingredients utilise technology or intellectual property enabling our customers to produce distinctive products and Tate & Lyle to obtain a price premium and/or sustainable higher margins.*

**Invest in technology and people**
To invest in developing innovative solutions that meet our customers' product challenges, and in developing our people so we have the right skills at all levels to grow our business.
*We complement our R&D skills through start-up investments and collaborations with the external research community.*

**Invest in acquisitions and partnerships**
To grow our business by acquisition or by forming joint ventures and partnerships.
*We continually evaluate acquisition opportunities that enable us to enter new markets or add products, technologies and knowledge more efficiently than we could organically. Alliances and joint ventures can also be an efficient way to do this and to lower our cost of investing in new areas and markets.*

### Overview of divisional business performance

The Group's adjusted profit before tax was 2% lower (18% in constant currency) than the prior year. Adjusted operating profit from core value added food ingredients increased by 20% (3% in constant currency), but this was more than offset by lower profits from our EU sugar business, industrial starches and US ethanol. Energy costs at £208 million were 34% higher (17% in constant currency).

Operating profits at Food & Industrial Ingredients, Americas was £181 million, a reduction of 3% from the prior year (19% in constant currency). Sales and profits from value added food ingredients were resilient. Performance in primary food ingredients was above the prior year due to improved margins and a good performance by citric acid. However, operating profits from both primary and value added industrial starches, primarily used by the paper and board industries, were significantly lower than the prior year due to reduced sales volumes during the second half of the year as both domestic and export demand deteriorated rapidly. Export markets were adversely affected by the strengthening US dollar. The contribution from ethanol was also significantly below the prior year due to lower unit margins as we operated in a difficult industry environment. We have taken a number of actions to manage our capacity in the face of these impacts.

At Food & Industrial Ingredients, Europe, operating profits increased by 24% to £51 million (7% in constant currency). Within Single Ingredients, margins for both value added and primary products benefited from lower corn costs during the second half of the year. Demand for food ingredients proved more resilient in Central and Eastern Europe, where the majority of our Single Ingredients capacity is located.

Operating profits from Food Systems were higher than the prior year, and benefited from a full year contribution from G. C. HAHN & Co (Hahn), which was acquired in June 2007.

Sugars operating profits were significantly lower than the comparative period, reducing by 64% (66% in constant currency) to £12 million.

Although improved balance between supply and demand within the EU sugar market began to return during the second half, the year as a whole was characterised by oversupply of refined sugar in the EU and an extremely competitive UK market. Margins are expected to improve following the final institutional price change on 1 October 2009. The competitive advantages of our London and Lisbon refineries will become increasingly apparent as the market returns to balance. The molasses business had an outstanding year as both volumes and margins benefited from high world cereal prices.

Sales of SPLENDA® Sucralose of £169 million were 14% above the prior year (4% reduction in constant currency). Operating profits increased by 9% to £72 million (reduced by 4% in constant currency) compared to the prior year. We achieved solid volume growth in international markets, particularly Europe where there were significant gains in retailer own-label ranges. In the USA, McNeil Nutritionals launched 'SPLENDA® with Fiber' formulated with SPLENDA® Sucralose and our PROMITOR™ Soluble Corn Fiber.

### A reshaped business

Over the past few years, we have taken a number of steps to reshape our business in line with our strategy to build a stronger value added business on a low-cost commodity base. A key part of this reshaping process has been to remove substantial risks by exiting markets where we could not manage to an acceptable level our exposure to raw material and commodity pricing volatility and regulation. In the 2008 financial year we exited European wheat and Canadian and Mexican sugar, and in the 2009 financial year we sold our International Sugar Trading business to Bunge. This sale was announced on 2 July 2008 and completed as scheduled on 31 March 2009. The financial impacts arising from this sale are set out in the Discontinued operations section on page 53.

# Chief Executive's review
continued

The Food Systems businesses which we acquired over the past four years to strengthen our value added offering (Cesalpinia Foods in 2005, Custom Ingredients in 2006, and Hahn in 2007) continue to perform well, and ahead of our expectations.

The simplified organisational structure we implemented last year, consisting of four distinct business divisions each reporting into the Chief Executive, is working well. We are confident that our de-layered organisational structure, led by a strong management team, is well placed to meet successfully the current challenging market conditions.

**Our people**
The difficult economic climate places people and organisations under notable pressure. We remain committed to taking the tough decisions needed to manage our cost base through this difficult time. However, we remain conscious of the need to continue to develop and invest in our people to ensure that the foundations of our business are protected, and we are well positioned to benefit when market conditions improve.

Individual responsibility and accountability are critical in times like these and we have made sure all our staff are aware of the need to meet our key priorities of defending our short-term profitability, optimising cash flow, reducing costs and continuing to serve our customers. The professionalism and commitment shown by our people to embrace these priorities and to take necessary tough decisions is impressive.

**Exceptional items**
Exceptional items totalling a net charge of £119 million have been recognised in continuing operations in the 2009 financial year. We have recognised a charge of £97 million in the 2009 financial year reflecting the impairment of the carrying value of our McIntosh, Alabama plant following the decision to mothball this facility and produce all our sucralose at our Singapore facility. This decision, made possible by the significant increase in manufacturing yields over the last 12 months, will ensure that we remain the most efficient and lowest cost producer of sucralose. Anticipated cash costs of £60 million associated with this decision will be paid over three years and recognised as an exceptional charge in the year ending 31 March 2010. These cash costs are expected to have a three year payback resulting from the reduced operating costs of having a single plant. Should future demand require it, we can bring the McIntosh plant back into production within a few months.

As reported in our pre-close trading update of 2 April 2009, we are in dispute with a supplier over performance and suitability of ethanol dehydration equipment at our Loudon, Tennessee and Fort Dodge, Iowa plants. We have provided an exceptional charge of £24 million associated with this issue.

We have reviewed the carrying value of many of the Group's assets given the changes to the economic environments in which we operate. The review of our sugar refining operation in Israel indicated an impairment charge of £9 million which has also been recognised in the year.

During March 2009, we received the first tranche of a settlement from the Mexican government following a dispute over a tax on soft drinks containing high fructose corn syrup between 2002 and 2006. We have since received the second tranche. Our share of the total settlement is £11 million, and this amount has been recognised as an exceptional gain in the 2009 financial year.

**Central costs**
Central costs decreased from £31 million in the 2008 financial year to £18 million in the 2009 financial year. This was due to several factors: underlying costs reduced by £4 million compared to the prior year; one-off credits of £6 million in the 2009 financial year arose principally from the termination of a property lease; and redundancy and other one-off costs totalling £4 million, following the simplification of the Group's organisational structure, were recognised in the prior year. Central costs in the 2010 financial year are expected to be broadly in line with underlying costs in the 2009 financial year.

**A good safety performance**
Tate & Lyle maintains no priority higher than safety. We measure and report our safety performance in calendar years. In 2008, our Group employee safety index improved by 44.2% and our Group contractor safety index by 28.6%. While the performance of our employees and contractors in 2008 is very encouraging, our target remains a safety index of zero for all our operations and we will continue to work towards that goal in the year ahead.

**Conclusion**
Market conditions over the past few months have proved challenging, but our focus on the food and beverage sector, which comprises over 70% of our total sales, gives us a measure of resilience, although not immunity, to the economic downturn. In times like these, the actions we must take to sustain the health of our business are clear. We are optimising cash flow and actively managing our cost base, while maintaining a keen focus on serving our customers. We are making good progress in the delivery of these priorities.

Iain Ferguson CBE
Chief Executive
*27 May 2009*

This section shows how we use raw materials to make our ingredients, what markets we operate in and how we serve our customers.

What we do


14 Overview
16 Sustainable sourcing
18 Creating volume
19 Preserving value
20 Adding value
22 Going to market
26 People
27 External environment and risk management


Unloading corn from a barge.

# Through our production facilities around the world we turn raw materials – corn or cane sugar – into quality ingredients used by millions of people every day.

## Sustainable sourcing

Ensuring we have a long-term, reliable supply of corn and cane sugar for our plants is essential. This involves developing long-term, mutually beneficial relationships with growers, farmers and other commercial partners to secure supply; understanding commodity markets; and hedging costs where feasible.

## Creating volume

To create the hundreds of quality ingredients our customers want, we begin by processing large volumes of raw materials from which we create basic products that are either sold on or used as the starting point for developing speciality ingredients and branded goods. Creating this volume and operating large-scale, efficient plants, allows us to keep unit costs low across the business.

## Preserving value

Generating optimal returns from large-scale commodity manufacturing requires firm cost and risk control. This involves careful management of any commodity exposure; negotiating the right price for our ingredients; and providing our customers with quality products, within specification, on time, every time.

## Adding value

Rapidly changing lifestyles are causing consumers to demand more from the products they buy – be they good food on-the-go or natural cosmetics. Our expertise in carbohydrate processing and blending, specialist R&D knowledge and insights into the market help us develop ingredients that add taste, nutrition and increased functionality to our customers' products.

## Going to market

We provide customers in four key markets with quality services and ingredients made from corn or cane sugar, which impart functionality that is vital for our customers' products. Generating returns and growing our business requires carefully managing the product mix. This involves maintaining a high-volume, low-cost commodity base to help produce our higher margin, value added ingredients and services.

## People

Running a diverse business like Tate & Lyle, which develops, manufactures and sells a wide variety of products and services to customers in different markets across the world, relies on a team of highly skilled, motivated people from a wide range of disciplines.

## External environment and risk management

Every business needs to be responsive to its competitive and regulatory environments. Understanding the issues that could have an impact on our business is vital for good risk management and long-term commercial success.

# Sustainable sourcing

**Ensuring we have a long-term, reliable supply of corn and cane sugar for our plants is essential. This involves developing long-term, mutually beneficial relationships with growers, farmers and other commercial partners to secure supply; understanding commodity markets; and hedging costs where feasible.**

## History

Tate & Lyle was founded in the UK in 1921 but its roots can be traced back to a number of companies established in the middle of the 19th century focused on sugars in Europe, and corn milling in the USA and Europe. Tate & Lyle has been purchasing corn from US farmers and cane sugar from a variety of countries for over a century. Making sure we have high-quality raw materials at the right price is the starting point for how we do business.

## Corn

Our Food & Industrial Ingredients businesses in the Americas and Europe are both large-scale processors of corn. Tate & Lyle purchases two types of corn: dent and waxy. Dent corn is the most common crop and is used to make high fructose corn syrup, food starch, alcohol (ethanol) and animal feed.

Waxy corn is contracted direct from the farmer and has special functionality that makes it ideal for creating stabilisers, thickeners and emulsifiers for the food industry. It is also used in adhesives and gums for the paper industry.

## USA

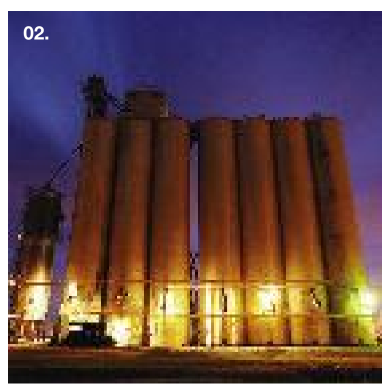
Running our large corn wet milling plants in the USA efficiently 24 hours a day relies on good management of the corn supply chain. Our Food & Industrial Ingredients, Americas division owns a network of elevators (silos) to purchase corn directly from farmer producers. Farmer-owned co-operatives and family-owned grain companies supply millions of bushels of corn each year for our plants to grind. Corn purchase contracts may be negotiated with corn suppliers for delivery the same day, or in some cases price and terms may be for delivery up to 18 months forward.

During the year we added corn storage and unloading capacity at our processing plants and country elevator network to service our suppliers better.

## Europe

Our European division, Food & Industrial Ingredients, Europe, has two wholly owned plants, with another five in Central and Eastern Europe as part of our joint venture, Eaststarch. Due to the sweetener quota system in Europe and other factors such as transport infrastructure, our plants primarily serve local markets and are therefore significantly smaller than our US plants, processing in total just over two million tonnes of corn per year. We purchase dent corn locally where possible, and commission waxy corn direct from European farmers for speciality food starch production at our plant in the Netherlands.

**01/02. From farm to factory**
Providing an efficient, high-quality service at our elevators helps us build strong, long-term relationships with our corn suppliers. In the USA, at harvest time, due to the high volumes, corn is delivered initially to the elevators then sent on to our plants by rail car, truck or river barge; during the rest of the year corn may also be delivered direct to the plants.



**Cane sugar**
Our Sugars division uses cane sugar as the raw material for its business. Cane sugar is a tropical crop grown in areas of high sunshine and rainfall. It accounts for around 80% of world sugar production.

Tate & Lyle's Sugars division produces about 1.3 million tonnes of cane sugar each year from its two refineries in Europe, and processes up to a million tonnes of sugar cane at its factory in Vietnam. While our Vietnamese operation sources from local growers, our European business secures supply from African, Caribbean and Pacific countries and least-developed countries under the EU Sugar Regime. These suppliers have preferential access to the European sugar market under various agreements with the EU.

Reform of the EU Sugar Regime and resulting price cuts are affecting the whole of the supply chain, including raw sugar suppliers. This means that maintaining strong working relationships with our suppliers is increasingly important to improve the profitability of the industry for all stakeholders and to ensure we can continue to source the cane sugar we need for our refineries.

To meet our future raw sugar supply needs, we have entered into long-term agreements with both traditional and new suppliers. For example, in May 2008 we signed a long-term agreement with Fiji for the supply of up to 300,000 tonnes of raw sugar each year. In addition, in the summer of 2009, our European refineries will start to receive the first shipments of sugar from one of our new suppliers in the Lao People's Democratic Republic.

Good relationships are based on open dialogue and ensuring that our refineries remain attractive destinations for suppliers. This means investing in our plants both to expand our business and to increase efficiency. Over the last two years we have made significant investments in our two European sugar refineries, including a new biomass boiler and two new cranes for unloading sugar at our London refinery, and new facilities at our Lisbon refinery to enable increased throughput.

**Ensuring a fair price through Fairtrade**
In February 2008, we announced our decision to convert all UK retail cane sugar to Fairtrade by the end of 2009. At that time this was the largest ever switch to the ethical labelling scheme by any major UK food or drink brand. The first product licensed to carry the Fairtrade mark was Tate & Lyle Granulated White Cane Sugar. As at 31 March 2009, Tate & Lyle Caster Sugar, Tate & Lyle Preserving Sugar, Tate & Lyle Icing Sugar and Tate & Lyle Royal Traditional Icing Sugar also now carry the Fairtrade mark, with the rest of the range to follow.

Tate & Lyle's first accredited Fairtrade grower–partner is Belize, from whom we have purchased sugar for over 35 years. In the first year since Tate & Lyle moved to Fairtrade, sugar cane farmers in Belize have received nearly US$4 million in Fairtrade premiums from Tate & Lyle which has been used to improve their livelihoods and develop more sustainable communities. So every time a customer buys a pack of Tate & Lyle Fairtrade cane sugar, these farmers benefit from our commitment.

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**03/04. Helping create sustainable communities**
Over the past year, farmers in Belize have used the Fairtrade premium paid to them by Tate & Lyle in many different ways. They have invested in fertiliser and pesticides to improve crops damaged after Hurricane Dean, and have started to improve roads, which are essential for the harvesting and delivery of the sugar cane. Money has also been spent on providing education grants for children and on school meals for primary school children.

# Creating volume

**To create the hundreds of quality ingredients our customers want, we begin by processing large volumes of raw materials from which we create basic products that are either sold on or used as the starting point for developing speciality ingredients and branded goods. Creating this volume and operating large-scale, efficient plants, allows us to keep unit costs low across the business.**

We operate more than 45 production facilities mainly in the Americas, Europe and South East Asia. Tate & Lyle is the largest cane sugar refiner in Europe, and in the USA, our corn wet milling plants process some 2% of the annual corn crop.

### Manufacturing efficiency

Operating our plants safely and efficiently at high volumes requires reliable and up-to-date manufacturing processes. All our divisions have highly qualified teams of engineers who make sure our plants function effectively, efficiently and safely. The engineers are actively involved in the manufacturing line and use a number of computer-based process tools to track and model data to help identify opportunities for efficiency improvements such as increasing yields, minimising waste and saving energy.

Our US corn wet milling and sucralose businesses both have pilot plants run by dedicated teams which are used to identify ways to make our manufacturing processes more efficient. Process improvements identified at our sucralose pilot plant over the last 12 months have enabled us to achieve a breakthrough in manufacturing yields.

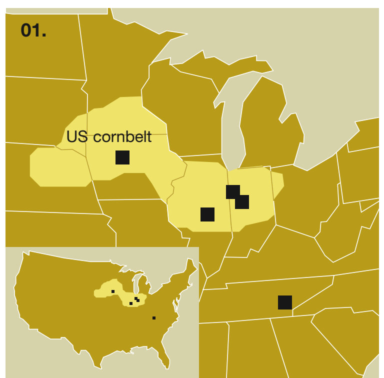
### Developing new technologies

Our research and technology teams are dedicated to developing the latest engineering technologies, both for our existing plants and for new builds. Tate & Lyle has developed patented, proprietary technology, known as CORNBELT®, which has been installed at our Loudon, Tennessee, plant. This is designed to help increase starch yields while at the same time reducing per unit energy consumption. Its energy conservation technology is also being used at our cane sugar refinery in London. The refinery's new £20 million biomass boiler was mechanically complete in March 2009 and is now being commissioned. Once it is fully operational, the biomass boiler will reduce the refinery's carbon footprint by more than 20%, and replace 70% of its fossil fuel use with a renewable energy source.

Our Sugars business also has a specialist team, Tate & Lyle Process Technology, which provides support services, process engineering and design expertise to the sugar cane industry worldwide.

### Protecting our expertise

To support our businesses and protect our competitive advantage, we maintain a significant number of patents. Much of the product innovation and development work we do results in patentable or proprietary new technology. We monitor market developments closely to identify any potential violations of our patents and intellectual property and take appropriate legal action where we consider it necessary.



**01/02. Well-positioned plants**
Our four large corn wet mills in the USA (with a fifth in Fort Dodge, Iowa, under construction) and our corn wet mills in and around Europe are strategically located either in prime corn growing areas or near key markets to help us serve our customers.

■ Corn wet mills

# Preserving value

**Generating optimal returns from large-scale commodity manufacturing requires firm cost and risk control. This involves careful management of any commodity exposure; negotiating the right price for our ingredients; and providing our customers with quality products, within specification, on time, every time.**

### Using every part of the raw material

In our production processes, nothing is wasted. In sugar refining, molasses (a by-product of the refining process) is sold as animal feed or used as a raw material for fermentation-based ingredients like citric acid and alcohol. Likewise, in corn processing, every part of the kernel is valuable, and selling on those parts we do not use ourselves helps manage the net cost of corn.

### Negotiating prices and volumes

Selling corn-based commodity products in both the USA and Europe is usually done through annual pricing rounds. These involve a series of face-to-face meetings with customers, held over a number of months, where prices for products like high fructose corn syrup, or charges for toll production, are negotiated for the next 12 months or in some cases on a multi-year basis.

The majority of our commodity ingredients, both food and industrial, are sold through this mechanism, with only a small amount sold on a spot (or ad hoc) basis.

The pricing rounds are highly commercial and it is the responsibility of our sales teams to ensure that we get the best price for our products, while remaining competitive against other ingredient suppliers who may sell the same ingredient or substitute products.

In the USA, as soon as a customer order is agreed, if we do not hold actual corn in storage, we manage the risk of changing corn prices by hedging corn costs on the Chicago Mercantile Exchange. In Europe, a smaller market for us than the USA, there is no liquid corn futures market, which means we cannot hedge the full corn price risk as we can in the USA. It is not possible to use hedging procedures to lock in the majority of by-product revenues in either Europe or the USA. Our European sugars business is also different because the cost of purchasing cane sugar and the final selling price of the finished product are largely determined by the EU Sugar Regime.

### Ensuring quality

Because our ingredients enter the food chain in consumer products, stringent quality standards are enforced at every site. Quality assurance also reduces waste and costs, and fosters good customer relations. Every Tate & Lyle manufacturing facility has to comply with Group minimum standards which include third-party validation of food safety and quality systems.

### Logistics

Our logistics teams are responsible for warehousing, freight costs and customer service. Our largest logistics hub is based in Lafayette, Indiana, which is broadly central to all our US plants.

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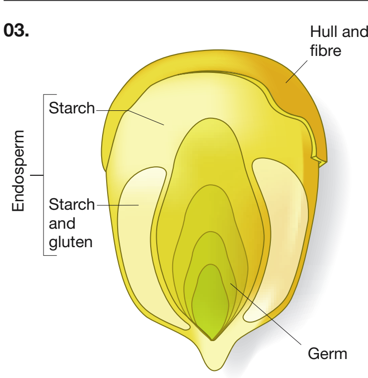



**03. Nothing is wasted**
We use every part of the corn kernel. Corn is broken down into 57% corn starch (used to make food and industrial ingredients); 22% corn gluten feed (made from the hull and fibre and used in cattle feed); 4% corn gluten meal (extracted from the endosperm and used in aquaculture feed and pet food); 3% corn oil (made from the germ and used by the food industry); and the remaining 14% is water.

**Raw material hedging**
In the USA, we use hedging procedures to protect against price changes in purchased corn. This generally involves entering into a futures contract at the Chicago Mercantile Exchange (CME) whenever we take an order from a customer, which means we can buy corn at a specific price at a set date in the future, allowing us to budget without considering fluctuating corn prices. CME contracts offer the opportunity to establish raw material values as quoted today for periods up to two years in advance.

# Adding value

**Rapidly changing lifestyles are causing consumers to demand more from the products they buy – be they good food on-the-go or natural cosmetics. Our expertise in carbohydrate processing and blending, specialist R&D knowledge and insights into the market help us develop ingredients that add taste, nutrition and increased functionality to our customers' products.**

Our high-volume commodity base allows us to run our plants efficiently and produce a low-cost substrate we can then use to make speciality, higher-margin products for both food and industrial customers. These products, some of which are branded, add value through the fact that they are either proprietary to Tate & Lyle, have greater functionality than alternatives, or come with an additional service for the customer.

### Consumer insights

At the heart of our customer approach is the use of market research to understand the consumer (our customers' customer), the markets we operate in and our customers' needs. In 2005 we were one of the first food ingredients companies to go direct to the consumer to understand for ourselves what drives purchasing habits, and what consumers might look for in future products.

We use this insight to drive our own product development, to differentiate ourselves from our competitors and, importantly, to give our customers an advantage by working with Tate & Lyle.

Each year we run a programme of studies to canvass the views of consumers in Europe, the Americas and Asia. We typically use basic attitudinal research (such as focus groups) as a starting point, then complete the programme with detailed quantitative studies. In one of our more recent surveys, we canvassed more than 10,000 consumers in Europe, the USA, Mexico and Brazil on their attitudes to dietary fibre. This research demonstrated a growing understanding of the benefits of fibre in a healthy diet, which we are addressing with our PROMITOR™ range of dietary fibres.

Our Research and Development (R&D), marketing and regulatory teams work together to provide insights from consumer research, support on labelling requirements, and assistance on meeting product claims.

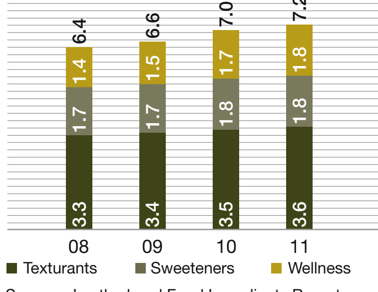
### Research and development

We have over 280 people in our R&D team worldwide working to develop innovative ingredients from renewable resources. Our R&D function is headquartered in our largest US facility, Decatur, Illinois. In September 2008 we opened our new Innovation Centre in Lille, France, and we also have application laboratories in countries such as China, India and Australia which are combined with our sales offices.

Our in-house research and development capability is organised into three primary groups: product development, technology, and customer solutions.

**01. Market drivers**
The key driver of long-term growth for our business is value added food ingredients. In this market we operate primarily within three categories: sweeteners, texturants, and wellness ingredients. In 2008, the addressable global market in these categories was estimated to be worth £6.4 billion, and is forecast to grow at a compound average annual rate of 4.3% to £7.2 billion in 2011. The food sector has proven to be relatively resilient to global recessionary pressures and therefore growth is currently expected to continue broadly in line with this forecast.

**01. Global value added food ingredients market** Addressable market size £bn




Sources: Leatherhead Food Ingredients Report 2007, SRI Flavours Report 2007, SRI Nutraceuticals Report 2007, Company estimates

02.

Product development is divided into sweeteners, wellness, texturants, bio-products, industrial and animal feed. This group focuses on developing new products and improving existing products. The technology group covers process engineering, analytical and carbohydrate chemistry, and biochemicals. Its role is to determine how to create, analyse and manufacture ingredients. The customer solutions group includes applications and technical service teams. The applications teams develop prototypes and provide sensory analysis for customers using our ingredients, while the technical services teams work directly with our customers to incorporate our ingredients into their products.

### Research partnerships

To give us fresh ideas and insights into the market, we develop partnerships with the external research community.

In October 2008, with the support of a £4.5 million contribution over five years from Tate & Lyle, a new Clinical Research Facility was opened by King's College London at St Thomas' Hospital to undertake research into areas such as gastrointestinal health, carbohydrate metabolism, and medical conditions such as obesity, diabetes and cardiovascular disorders. Our partnership with King's College London will allow us to share knowledge and ultimately bring new products and technologies to market.

We also have a Research Advisory Group comprising a panel of six international industry and academic experts, chaired by one of our non-executive directors, Dr Barry Zoumas, which reviews our research and development portfolio and provides insight into how leading-edge technologies could apply to future developments.

Our venture capital fund, Tate & Lyle Ventures, which was launched in 2006, invests in early stage high-growth companies that specialise in renewable ingredients, food technologies, renewable resources and industrial processing technologies. Since 2006 the fund has made five investments, the most recent in May 2008 in Fugeia, a Belgian company focusing on gut health technology.

### Commercial partnerships

One way of growing our business is to form joint ventures or partnerships to develop and distribute new products, and to enhance the capabilities of our existing portfolio of ingredients. Using alliances and joint ventures can be an efficient way to lower our cost of investing in new areas and markets, and to help secure access to new and complementary technology and expertise. Examples include our partnerships with McNeil Nutritionals (a Johnson & Johnson company) on SPLENDA® Sucralose, and with DuPont on Bio-PDO™.

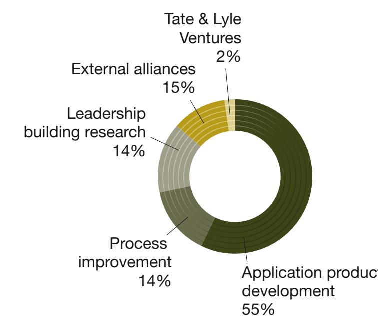
### Food Systems businesses

In certain geographies where there is growth potential in the food ingredients market, we have taken the opportunity to invest in food systems, or blending and speciality ingredients businesses. These businesses open up new avenues for selling ingredients through their relationships with small- to medium-sized customers and their expertise in specific areas such as the dairy industry, gums and custom formulations. Primarily based in North America, Germany, Italy and South Africa, these businesses source ingredients and use them to develop solutions for customers. Their specialist knowledge supplements our existing in-house R&D capability. These businesses also often act as an R&D team for small- to medium-sized customers and, by building close working relationships, become trusted development partners.

**02. Bringing innovation to our customers**
Our new Innovation Centre in Lille, France, focuses on developing ingredients for four distinct fields: weight management; digestive health and immunity; vitality; and healthy ageing. This centre is not only used by our own scientists, but is also made available to our customers who, with the help of our technical service teams, can use our state-of-the art facilities to develop and refine new food and beverage products.

**03. Investment in R&D**
Most of our spend is on internal capabilities – fundamental research, product development and process improvement. The remainder is spent on developing relationships with the external research community, through our venture fund and alliances with key academic institutions. Our target is to spend 4% to 5% of value added turnover on R&D. In the year ended 31 March 2009, we spent £28 million on R&D.

**03. Target R&D spend**



# Going to market

**We provide customers in four key markets with quality services and ingredients made from corn or cane sugar, which impart functionality that is vital for our customers' products. Generating returns and growing our business requires carefully managing the product mix. This involves maintaining a high-volume, low-cost commodity base to help produce our higher-margin, value added ingredients and services.**

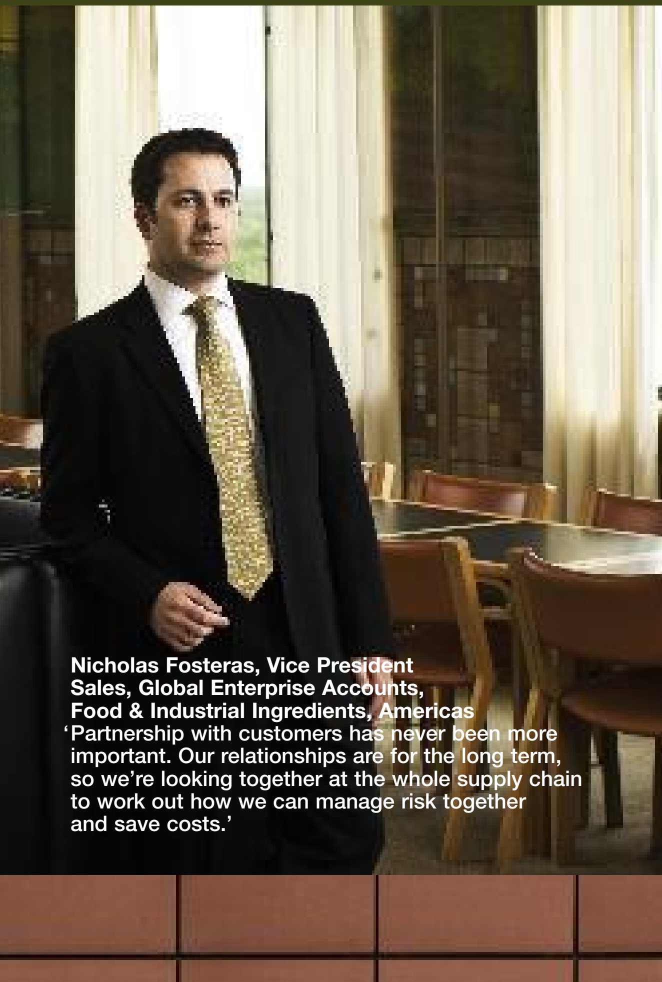
### Food and beverage
The global food and beverage ingredient market is currently worth about US$30 billion and historically has grown at a rate of around 3% each year. We count the vast majority of the world's top 100 food and beverage companies as our customers. Food and beverage is Tate & Lyle's largest market, comprising over 70% of the Group's total sales. Key drivers in this market are the need for convenience and an interest in healthy eating, as people live longer, busier lives. The development of emerging economies, like Brazil, India and China, has also fuelled growth in demand for food ingredients in recent years.

### Industrial
The global market for industrial ingredients has come under severe pressure as a result of the continuing global recession. However, over the longer term, industrial ingredients remain a potential area of growth for Tate & Lyle as the trend towards greener living and the replacement of petrochemicals stimulates demand for ingredients made from renewable sources. Traditional industrial markets for Tate & Lyle have included paper and board (starches), fuels (ethanol) and household goods (acidulants). New markets for us include oil-well drilling (biogums), textiles and plastics (Bio-PDO™).

### Animal feed
We serve this market with molasses produced in Europe and corn gluten meal and corn gluten feed produced in both Europe and the USA. These are by-products of our key production processes and are sold as nourishing feed ingredients for livestock, fish and pet foods. This is important because selling on these products helps us manage the net cost of our raw materials.

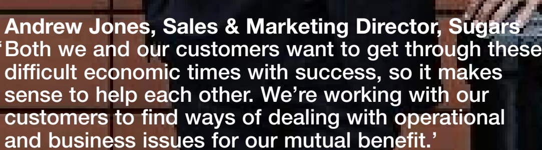
### Pharmaceutical and personal care
A nascent market for Tate & Lyle, pharmaceutical and personal care is one we expect will grow in the future although remaining relatively small. At the moment, we sell two value added ingredients into this market: Zemea™ (cosmetics and creams) through our joint venture DuPont Tate & Lyle BioProducts, and SPLENDA® Sucralose (to sweeten medicines without adding calories).

**01. Our ingredients are everywhere**
Going shopping? You are likely to buy products made with our ingredients. Filling up the car? Bio-ethanol. Cakes and drinks? Sweetened with high fructose corn syrup, sugar or SPLENDA® Sucralose. Detergents to get clothes really clean? Citric acid. Your favourite monthly magazine? Strong and glossy thanks to our paper starch. Our ingredients are everywhere.



**Nicholas Fosteras, Vice President Sales, Global Enterprise Accounts, Food & Industrial Ingredients, Americas**
'Partnership with customers has never been more important. Our relationships are for the long term, so we're looking together at the whole supply chain to work out how we can manage risk together and save costs.'

**Caroline Sanders, Marketing Director Food & Industrial Ingredients, Europe**
'Challenging economic circumstances offer us new ways to help customers. Our Optimize™ formulation service, by which we modify customers' recipes to reduce costs without compromising the taste of the product, is particularly interesting for food and beverage customers right now.'



**Andrew Jones, Sales & Marketing Director, Sugars**
'Both we and our customers want to get through these difficult economic times with success, so it makes sense to help each other. We're working with our customers to find ways of dealing with operational and business issues for our mutual benefit.'

**Rheem Lock, Senior Product Manager, Sucralose**
'Our history of excellent product quality, with purity levels consistently above 99%, makes us the safest option for customers, who also value the complete traceability of our SPLENDA® Sucralose and our reliability in shipping on time, every time.'

# Going to market
## continued

### Food and beverage

| | | | |
|---|---|---|---|
| Market/ consumer trends | ■ Health and wellness<br>- digestive health and immunity<br>- weight management<br>- children's health/development<br>- heart health | ■ Convenience<br>■ Indulgence<br>■ Clean label/ natural/organics | ■ Sustainability/ethical sourcing<br>■ Portion/calorie control<br>■ Home baking (sugars) |
| Customer trends | ■ Cost consciousness<br>- volatile raw material prices<br>- rise of private label (own-label)<br>- cost-effective ways of delivering nutritional benefits | ■ Increasing pressure for high quality from suppliers<br>■ Supply chain ethics | ■ Dealing with a changing regulatory environment<br>■ Traceability |
| Types of customer | ■ Manufacturers (branded and contract)<br>- beverage<br>- dairy<br>- bakery<br>- snack food/convenience<br>- confectionery | ■ Retailers<br>■ Food service operators | |
| Examples of branded or value added ingredients | ■ PROMITOR™ dietary fibres<br>■ KRYSTAR® crystalline fructose<br>■ STA-Lite® polydextrose<br>■ SPLENDA® Sucralose<br>■ Value added starches, e.g. STA-Slim™, TENDERJEL®, Merigel, Resistamyl and FREEZIST®<br>■ Food stabilising systems, e.g. Hamulsion® and Frimulsion® | Retail brands:<br>■ Lyle's Golden Syrup<br>■ Branded retail sugars<br>- Tate & Lyle (UK)<br>- Sidul/Sores (Portugal) | Services:<br>■ CREATE® – innovations in shape, structure, taste and texture<br>■ OPTIMIZE® – maximising efficiency and value<br>■ REBALANCE® – reformulating to lower-fat, lower-sugar and lower-calorie positions<br>■ ENRICH® – enhancing nutritional benefits of foods and beverages |
| Examples of high-volume primary products and by-products | ■ High fructose corn syrup<br>■ Corn syrup/glucose | ■ Citric acid<br>■ Pearl starches | ■ Corn oil<br>■ Industrial sugars |

## Industrial

- Increased awareness of green issues/environmental footprint
- Replacement of plastics/ petrochemicals

- Increased awareness of petrochemical vs. renewable options
- Cost consciousness (volatile raw material prices)

- Manufacturers
  - paper
  - detergent
  - packaging/ plastics
  - adhesives
  - de-icing
  - textiles
  - building products
- Oil-well drilling
- Fuel suppliers

- ETHYLEX® paper starch
- STA-LOK® cationic starches
- STADEX® dextrin
- STARPOL® water soluble polymers
- StaZan X™ industrial xanthan gums
- Susterra™ industrial grade Bio-PDO™

- Pearl starches
- Ethanol
- Citric acid

## Animal feed

- High nutrient digestibility/ nutrient efficiency
- Animal health

- Volatile cereal costs (global) impacting feed costs

- Producers
  - dairy
  - beef
  - pig
  - poultry
  - aquaculture
  - pet

- Molasses
- Corn gluten feed
- Corn gluten meal

## Personal care and pharmaceuticals

- Replacement of petrochemicals/ preference for 'natural' products

- Pricing awareness but willingness to pay for functionality
- Natural product claims (personal care)

- Manufacturers
  - cosmetics and personal care (hand creams, deodorants)
  - over-the-counter (OTC) pharmaceuticals

- Zemea™ personal care grade Bio-PDO™
- SPLENDA® Sucralose

- Corn syrup/glucose
- Sugar

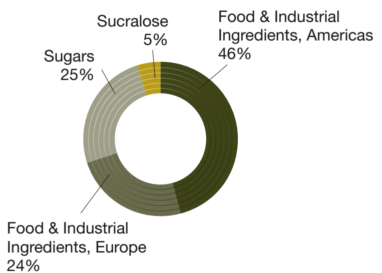
# People

**Running a diverse business like Tate & Lyle, which develops, manufactures and sells a wide variety of products and services to customers in different markets across the world, relies on a team of highly skilled, motivated people from a wide range of disciplines.**

Our workforce encompasses a broad range of skills and experience in areas such as food science, sales and marketing, engineering and support services.

At 31 March 2009, Tate & Lyle employed 5,718 people across the Group. The chart below shows the split of employees between our four business divisions.

**Divisional employees**
At 31 March 2009




## Developing careers

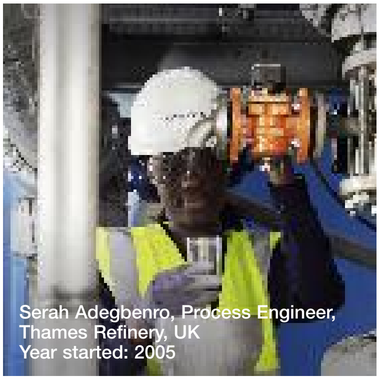
Our employees are vital to the success of our business. It is a key objective for the Group to attract and retain top-quality recruits, and to ensure that our employees develop and grow in their roles and meet new challenges as their careers progress. To help achieve these objectives, we have developed and are implementing 'The Tate & Lyle People Strategy' which consists of four main components:

- Behaviours for Success – these encourage our people to display strong leadership at all levels of seniority by exhibiting identified key characteristics and behaviours we need for success, such as a focus on excellent customer service.
- Talent Management – a system which addresses key business issues such as succession planning and filling development gaps to ensure we have the right skills to grow the Group at all levels.
- Leadership Curriculum – this provides opportunities for managers across the Group to improve their skills and expand their knowledge through a number of tailored programmes, seminars and courses.
- Graduate Development – a Group-wide graduate recruitment and development programme to attract and develop top talent and prepare them for key roles across the Group.

## Remuneration

We review our remuneration policies regularly in light of market trends, the needs of the business and the prevailing economic environment. Our policies are designed to attract, retain and reward employees with the ability and experience to execute the Group's strategy.

Developing careers



Serah Adegbenro, Process Engineer, Thames Refinery, UK
Year started: 2005

Michelle Kozora, Food Scientist, Technical Services. Decatur. USA.
Year started: 2003

Weston Adcock, Accountant, Decatur, USA
Year started: 2007

# External environment and risk management

**Every business needs to be responsive to its competitive and regulatory environment. Understanding the issues that could have an impact on our business is vital for good risk management and long-term commercial success.**

## External environment

### Competition

The starch industry, within which our food and industrial ingredients businesses compete, is concentrated around a small number of large participants who operate in many different application areas, including food, beverage, paper and pharmaceuticals. The USA accounts for over half of global starch production. Our main competitors in the USA for corn wet milling and starch-based products are Archer Daniels Midland Company (ADM), Corn Products International and Cargill. National Starch (part of Akzo Nobel N.V.) is another competitor, particularly in relation to some higher-value modified food and industrial starches, as is Penford Corporation in the North American paper starch industry. In Europe our main competitors in the starch industry are Cargill, Syral (part of Tereos) and Roquette Frères.

Competition for our European sugar business comes mainly from British Sugar (a subsidiary of Associated British Foods plc), Südzucker, Nordzucker and Tereos. The main competitors for our food ingredients businesses are Cargill, Danisco, Kerry and National Starch.

### Governmental regulation

Some of the markets in which Tate & Lyle operates are subject to significant influence from legislation or regulation. In Europe, the main regulations and legislation relevant to Tate & Lyle are the EU Sugar Regime, which affects our Sugars and Food & Industrial Ingredients, Europe businesses. More information on the impact of the reform of the EU Sugar Regime is given on pages 46 and 47. In the USA, the main regulation is the Renewable Fuel Standard programme, which requires that gasoline sold contains a minimum volume of fuel from renewable sources, and affects our Food & Industrial Ingredients, Americas business.

## Risk management

Tate & Lyle could be affected by a number of risks, which may have a material adverse effect on our reputation, operations and financial performance.

The Group's enterprise-wide risk management and reporting process helps Group management to identify, assess and mitigate risk. The process involves the identification and prioritisation of key risks, together with associated controls and plans for mitigation, through an ongoing programme of workshops, facilitated by the risk management function.

The risks identified cascade up through functional and divisional levels to the Group Executive Committee. This culminates in the identification of the Group's key business, financial, operational and compliance risks with associated action plans and controls to mitigate them where possible (and to the extent deemed appropriate after assessing the costs and benefits). Further details of the risk management process are on page 68 and the key risks and uncertainties identified as part of this process, together with some of the mitigating actions that we are taking, are listed on pages 28 to 30. The Group is exposed to a number of other risks, some of which may have a material impact on its results. It is not possible to identify or anticipate every risk that may affect the Group, some of which may not be known or may not have been assessed. Our overall success as a global business depends, in part, upon our ability to succeed in different economic, social and political environments and to manage and to mitigate these risks.

# External environment and risk management continued

## Key risks

### Failure to act safely and to maintain the continued safe operation of our facilities could have a detrimental impact on Tate & Lyle's operations

The safety of our employees, contractors, suppliers, the communities in which we operate and the consumers of our products, is of paramount importance to Tate & Lyle. Around the world the Group is subject to laws, regulations, rules and ordinances relating to health, safety and the environment, including pollution. The Group's revenues depend on the continued operation of our various manufacturing facilities, and the consistent production of finished products that meet our customers' specifications. The operation of our plants involves many risks, including the failure or sub-standard performance of equipment, the improper installation or operation of equipment and natural disasters.

*Mitigating actions*

– We have health and safety policies and procedures in place at all our facilities and employ dedicated staff at all locations to ensure that these policies are understood, measured and embedded. The Board reviews the Group's safety performance and policies annually.
– Our commitment to environmental performance runs throughout the Group and the Board reviews our environmental performance and policy every year. We maintain environmental management systems at our production facilities and work closely with local environmental agencies to ensure we meet at least the requisite standards. We also employ specialist consultants when required.
– We ensure that product quality and safety are monitored at each stage of production, and we have thorough product safety policies and procedures in place to prevent contamination. These safety policies and procedures are carefully followed and rigorously enforced.

### Our success depends upon our employees and the recruitment and retention of key personnel

Central to the success of Tate & Lyle is the performance, knowledge and skill-sets of our employees around the world. We recognise the need to attract, integrate and retain the talent required to fulfil our ambitions and we understand the negative impact on results that could arise from an inability to retain key knowledge and adequately plan for succession.

*Mitigating actions*

– Tate & Lyle's remuneration policies are designed to attract, retain and reward employees with the ability and experience to execute the Group's strategy.
– We have developed the 'Tate & Lyle People Strategy' to provide opportunities for our employees to develop and grow in their roles and meet new challenges as their careers progress (for more details see page 26).

### Non-compliance with legislation can lead to financial and reputational damage

The Group is aware of the importance of complying with all applicable legislation affecting our business activities and of the potential financial impact and damage to reputation that can result from any breach.

*Mitigating actions*

– We have regulatory managers who monitor changes in legislation and develop action plans to deal with such changes. This team is supplemented by a worldwide network of external consultants who provide quarterly reports on regulatory change and how it affects the Group.
– Our legal teams maintain compliance policies in areas such as antitrust, money laundering and anti-corruption laws and provide ongoing training to employees as needed.

### Fluctuations in prices, offtake and availability of raw materials, energy, freight and other operating inputs may affect our margins

All of our finished products are derived from renewable agricultural raw materials. All of these materials are subject to fluctuations in price due to factors such as harvest and weather conditions, crop disease, crop yields, alternative crops and by-product values. Energy usage in our production facilities represents one of our main production costs. In some cases, due to the basis for pricing in our sales contracts, or due to competitive markets, we may not be able to pass on to our customers the full amount of raw material price increases or higher energy, freight or other operating costs, which could also affect contract offtake, and this could reduce our profitability.

*Mitigating actions*

– We aim to build strategic relationships with our suppliers to ensure we have a secure supply of raw materials.

- We seek to operate a balanced portfolio of supply and tolling contracts with our customers in order to manage the balance of raw material prices and product sales prices and volume risks.
- Multiple source supply agreements are in place for key ingredient supplies.
- Raw material and energy purchasing policies govern our actions in this area and also provide security of supply.
- We use derivatives, where available, to hedge our exposure to movements in the future prices of commodities.

**Competitors may achieve significant competitive advantage through technological step change or higher service levels**

If our competitors were able to identify, develop and introduce on a commercial basis a major technological step change, such as significantly improving the efficiency of the production process and lowering costs (and thereby commoditising products) or introducing a new product with better functionality, we may not be able to introduce a comparable change. Similarly, we must ensure we at least match or exceed competitors' service and quality performance. If we cannot compete effectively with such innovation or service levels, our sales and profitability could decline.

*Mitigating actions*

- We have an internal R&D team of around 280 people who work to produce innovations in product development, applications, manufacturing technology and customer services.

**Failure to identify important consumer trends and/or counter negative perceptions of the Group's products**

We recognise the risks associated with falling behind the curve where emerging dietary trends are concerned, as well as not being fully prepared to counter unexpected and unfounded negative publicity in relation to our product offering.

*Mitigating actions*

- Our technical sales and R&D teams work closely with our customers and advisors to identify emerging trends.
- Our investment is directed towards ensuring our operations are equipped to satisfy product demand.
- Our marketing departments carry out consumer-facing research annually to ensure they are aware of consumers' needs and expectations.
- Through our R&D and regulatory teams, we ensure we are able to substantiate relevant claims relating to products as required by legislation and the needs of our customers.
- Our media relations department monitors the Group's press coverage and has action plans to deal with any negative publicity.

**We may not be able to protect our intellectual property**

Our commercial success depends, in part, on obtaining and maintaining patent protection on certain of our products and technology, and successfully defending these patents against third-party challenge or infringements. Where we choose not to prosecute patent protection, it is important that we protect our confidential information and proprietary trade secrets. Others may independently develop technologies similar to ours or independently duplicate our technologies. Our patents may expire or remain in existence for only a short period following commercialisation. This would reduce or eliminate any advantage of those patents. We may face litigation to assert claims of infringement, enforce our patents, protect our trade secrets or know-how, or determine the scope and validity of our proprietary rights or the proprietary rights of others. We may be unable to enforce our patents or intellectual property or otherwise protect our proprietary rights, which could have a material adverse effect on our business, financial condition and results of operations.

*Mitigating actions*

- Our Group legal department monitors all our patents and is supported by expert patent lawyers, and we will take action where it is deemed necessary.
- Our R&D teams operate an organised and secure process for the identification and recording of innovations, new discoveries, trade secrets and potential patentable ideas, with appropriate safeguards to ensure that the confidentiality of that information is maintained.

# External environment and risk management continued

### Failure to manage capital expenditure and working capital during the current period of uncertainty and global economic crisis

The Group recognises the importance of managing our finances within strictly controlled parameters, particularly when external financial conditions are uncertain and highly changeable.

*Mitigating actions*
- Tate & Lyle has capital expenditure procedures in place to control and monitor the allocation and spend of capital. Significant projects are approved and monitored by the Board.
- The Group's debt and working capital levels are constantly monitored and reported monthly to the Board.

### Failure to maintain an effective system of internal financial controls could lead to financial irregularities and loss

Without effective internal financial controls, Tate & Lyle could be exposed to financial irregularities and losses from acts which could have a significant impact on the ability of the business to operate. These range from safeguarding the assets of the business to the accuracy and reliability of our records and financial reporting.

*Mitigating actions*
- The Group has authorisation policies in place and ensures that key tasks are segregated to safeguard assets.
- The Group has detailed internal Finance and Capital Expenditure Manuals which set out the procedures to be followed.
- The Board monitors the financial performance of the Group via monthly reports and a regular forecasting process.
- The Chief Executive and Group Finance Director undertake detailed quarterly business and financial reviews.

### As a public company Tate & Lyle must enunciate a clear strategic vision as well as provide accurate and timely information to the market to deliver long-term shareholder value

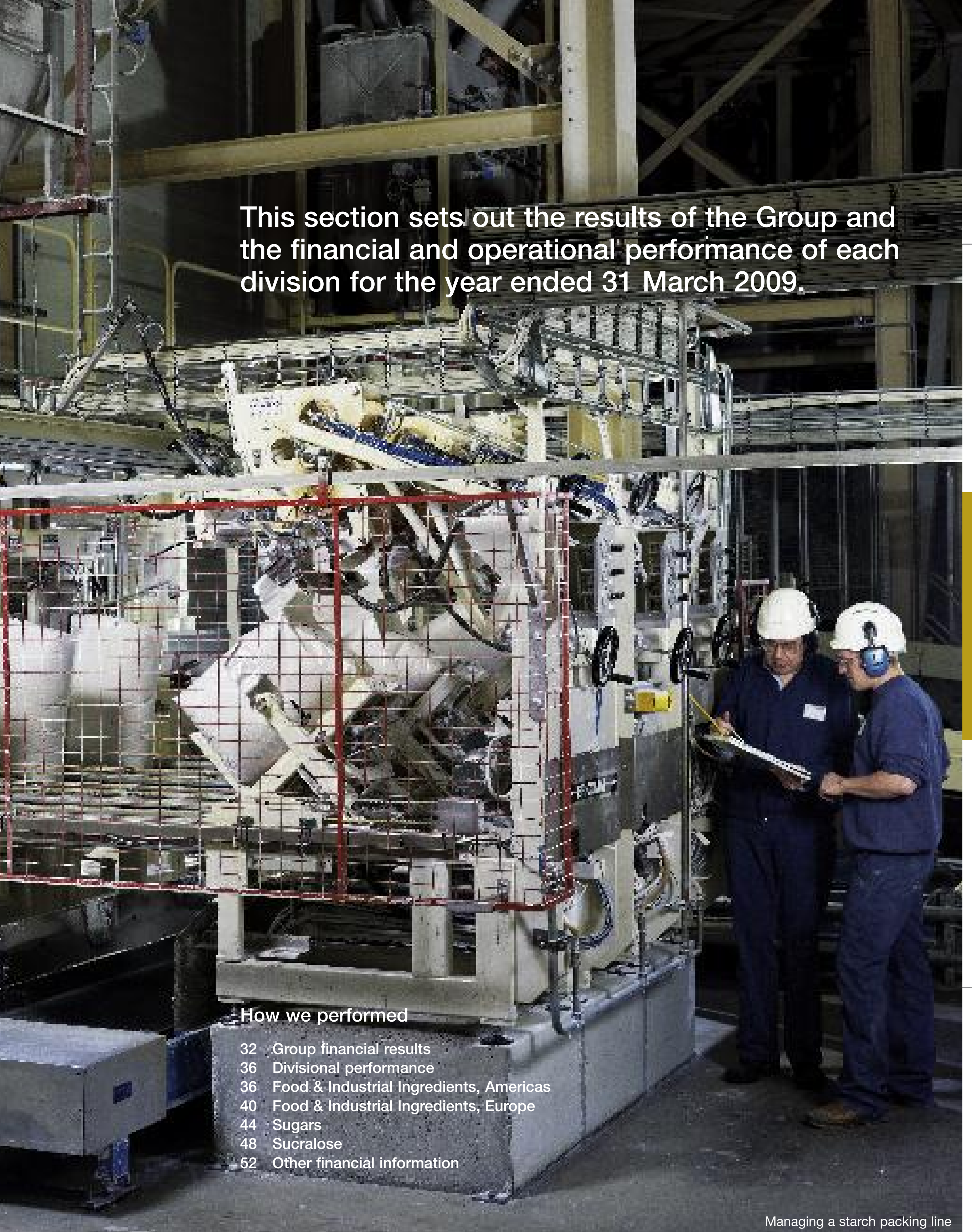
The share price on the stock market is based on the expectations of a wide variety of market participants such as analysts, brokers, investment funds and other investors. Media stories or rumours can influence these expectations. Failure to maintain a clear vision of the business strategy, failure to provide accurate and timely information, failure to meet Group targets, or failure to respond in an appropriate way could lead to uncertainty and volatility in the share price and the erosion of shareholder value.

*Mitigating actions*
- Procedures are in place to monitor the Group's financial performance and communicate with the market via regular trading updates.
- The investor relations department, supported by external advisors, ensures that all communications are timely, clear and consistent and that they comply with regulatory and legislative requirements.

### Exchange rate fluctuations could create earnings and balance sheet volatility

The Group operates in many different countries and is subject to currency fluctuations arising on transactional foreign currency exposures and the translation of overseas subsidiaries' results. For example, a weakening of the US dollar and the euro against sterling would have a negative impact on the net assets and shareholders' funds reported in sterling.

*Mitigating actions*
- The Group internal Finance Manual sets out the procedures to be followed.
- We borrow in different foreign currencies, principally US dollars, so as to provide a partial match for the Group's major foreign currency assets.
- We have adjusted the banking covenants for the US$1 billion Revolving Credit Facility to eliminate the distortion of foreign exchange volatility.



This section sets out the results of the Group and the financial and operational performance of each division for the year ended 31 March 2009.

## How we performed


32 Group financial results
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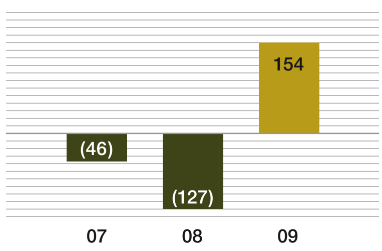
44 Sugars
48 Sucralose
52 Other financial information


Managing a starch packing line

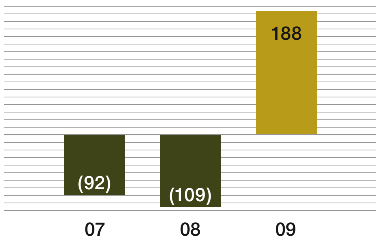
# Group financial results

**Positive free cash flow[1]**
Year to 31 March
£m

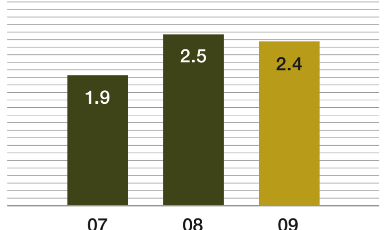



1 Free cash flow is defined as cash flow from continuing operations after interest, taxation and capital expenditure.

**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).

# Food & Industrial Ingredients, Americas

**Our largest division, Food & Industrial Ingredients, Americas represented 57% of our adjusted operating profit this year. From large-scale, efficient plants mainly in the US corn belt, this division produces both primary ingredients and, with our R&D expertise, value added ingredients for the food and beverage, industrial, animal feed and pharmaceutical markets.**

## Key performance indicators

**Return on net operating assets[1]**

| Target (longer-term) | 20% |
|---|---|
| 2009 | 18% |
| 2008 | 23% |
| 2007 | 25% |

1 Measured by financial year on continuing operations

**Description.** This is the division's profit before interest, tax and exceptional items divided by the average net operating assets. The Group's initial target is to achieve a return on net operating assets of 15%, with a longer-term target of 20%.

**Energy use[2]**

| Target | 3.0% reduction |
|---|---|
| 2008 | 1.3% increase |
| 2007 | 4.0% increase |
| 2006 | 1.3% reduction |

2 Measured by calendar year

**Description.** Our businesses have a target to reduce energy consumption on a per unit basis by 3% each year. The figures above show the percentage movement in the division's energy index each year. More details on the Group's energy use are on page 73.

**Safety index[3]**

| Target | zero |
|---|---|
| 2008 | 1.26 |
| 2007 | 2.88 |
| 2006 | 5.39 |

3 Measured by calendar year

**Description.** Our safety index compares safety performance across the division and is a weighted average of injuries sustained in the workplace, with more severe incidents having greater impact. The lower the index, the better the performance. More details are on page 71.

**PROMITOR™ Dietary Fibers**
Our new range of PROMITOR™ Dietary Fibers, launched in 2008, allows our customers to deliver the goodness of fibre in mainstream food and beverage products without compromising their great taste. Our range currently includes soluble corn fibre and resistant starch.

## What we do



1 Including Fort Dodge, Iowa under construction

■ Plants
■ Blending facilities

**Processes and raw materials**
Corn (maize) milling
Cereal sweetener, sugar, or molasses fermentation

**Main joint ventures**
Almex:
Cereal sweeteners and starches

DuPont Tate & Lyle BioProducts:
Bio-PDO™

Sucromiles:
Citric acid and alco-chemicals

**While our food and beverage business has been relatively resilient to the economic downturn, demand for industrial starches and ethanol margins have come under severe pressure.**

Matt Wineinger
President, Food & Industrial Ingredients, Americas

## Financial highlights

| £m | Year to 31 March 2009 Primary | Value added | Total | Year to 31 March 2008 Primary | Value added | Total |
|---|---|---|---|---|---|---|
| **Sales** | | | | | | |
| Food | 878 | 369 | 1 247 | 651 | 293 | 944 |
| Industrial | 393 | 157 | 550 | 309 | 133 | 442 |
| | 1 271 | 526 | 1 797 | 960 | 426 | 1 386 |
| **Adjusted operating profit** | | | | | | |
| Food | 95 | 83 | 178 | 76 | 68 | 144 |
| Industrial | 3 | – | 3 | 42 | – | 42 |
| | 98 | 83 | 181 | 118 | 68 | 186 |
| **Margin** | | | | | | |
| Food | 10.8% | 22.5% | 14.3% | 11.7% | 23.2% | 15.3% |
| Industrial | 0.8% | – | 0.5% | 13.6% | – | 9.5% |
| Total | 7.7% | 15.8% | 10.1% | 12.3% | 16.0% | 13.4% |

## Key markets

| Primary food | Primary industrial | Value added food | Value added industrial |
|---|---|---|---|
| ▪ High fructose corn syrup, dextrose, corn syrup<br>– Sweeten food and beverages | ▪ Native industrial starch<br>– Gives strength and finish to paper and card | ▪ Speciality sweeteners<br>– Sweeten food and beverages | ▪ Ethylated and cationic starch<br>– Gives strength and finish to paper and card |
| ▪ Native food starch<br>– Provides texture and mouthfeel | ▪ Ethanol<br>– Oxygenates motor vehicle fuels | ▪ Value added food starch<br>– Provides texture and mouthfeel<br>– Health and wellness | ▪ Bio-PDO™<br>– Used in applications from plastics and textiles to de-icing fluid |
| ▪ Citric acid<br>– Adds acidic or sour taste to food | | | |

# Food & Industrial Ingredients, Americas continued

**Highlights**
- Launch of PROMITOR™ Soluble Corn Fiber
- Expansion at Sagamore, Indiana complete; expansion at Loudon, Tennessee being commissioned
- New plant at Fort Dodge, Iowa largely complete, final construction postponed due to ethanol market conditions
- Safety record improved

**Strategy**
Our strategy continues to be to use our low-cost commodity base to provide a platform from which to grow our value added business. Our success lies in operating efficient, low-cost manufacturing facilities while developing more profitable business in value added ingredients, with the flexibility to change our product offering in line with customer demand.

**Markets**
We sell ingredients made from corn and related services into four markets: food and beverage (our largest market), industrial, animal feed (where we sell the by-products produced from our processes) and pharmaceuticals. We sell both primary and value added products into all these markets, with the exception of animal feed into which we sell primary products only.

**Primary**
Corn prices in the USA saw an unprecedented spike in the 2008 calendar year, reaching almost US$8 per bushel in July. Prices have since retreated to approximately half this level, although they remain above historic trend. Oil prices also peaked in July 2008 at almost US$150 per barrel, but fell rapidly to below US$40 per barrel during the second half of the 2008 calendar year.

These dramatic changes in oil and corn prices inverted the economics of ethanol, making it less attractive to gasoline blenders, and the ethanol market became significantly oversupplied from the final quarter of the 2008 calendar year. Supply in the 2009 calendar year continues to exceed the mandated demand contained in the Renewable Fuel Standard (RFS), particularly as effective demand in the year has been reduced by carry forward provisions contained in the RFS. The consequent collapse of ethanol margins drove a number of recently constructed dry-mill ethanol producers into bankruptcy proceedings. Market commentators continue to express their belief in the viability of the US ethanol industry, underpinned by the RFS.

Domestic US demand for nutritive sweeteners in the 2008 calendar year continued its long-term trend of reduction. Duty free access into Mexico for US high fructose corn syrup (HFCS) was granted under the provisions of NAFTA from the beginning of the 2008 calendar year. However, exports have been constrained by the sudden weakening of the Mexican peso half-way through our 2009 financial year and relatively low sugar prices in the Mexican market.

Demand for industrial starches, which are primarily used in the manufacture of paper and packaging, fell between 20% and 25%, in line with the demand for the products in which they are used. This sharp decline was not only the impact of recessionary pressures in the US but also due to the significant strengthening of the US dollar which severely reduced the sales of the US paper and packaging industry as it became less able to compete in its export markets.

Corn by-product values peaked during the third quarter of the 2008 calendar year. However, the subsequent fall in corn and soy prices resulted in corresponding price declines for corn gluten feed and meal, and corn oil. Additionally, the competitive impact of the supply of distillers' dry grains produced by the rapidly expanded number of dry mill ethanol producers increased the supply of ingredients to the animal feed industry at the same time as US livestock numbers reduced.

**Value added**
Demand for value added food ingredients was relatively resilient despite the economic downturn experienced during the second half of the financial year. Markets for value added industrial ingredients deteriorated during the second half of the financial year as demand fell in line with significant reductions in paper and packaging production.

**Business performance**
Sales of £1,797 million were 30% above the prior year (9% at constant currency). The increase in constant currency was driven by the recovery of higher corn input costs and increased by-product values. Adjusted operating profit decreased by 3% (19% in constant currency) from £186 million to £181 million.

**Primary**
Sales increased by 32% to £1,271 million (12% in constant currency). Operating profits reduced by £20 million to £98 million, a reduction of 17% (31% in constant currency).

Primary food sales were 35% higher than the prior year (16% in constant currency), and operating profits were 25% higher (3% in constant currency). Although sweetener volumes were marginally below the level of the prior year, primary

sweetener profits increased due to the modest pricing increases achieved in the 2008 calendar year pricing round. Primary food starch volumes and unit margins were both slightly above the prior year. By-product income was above the prior year, as the business benefited from strong refined corn oil selling prices during the second half of the 2008 calendar year and the by-products which are sold into animal feed increased broadly in line with corn and soya prices which hit unparalleled peaks during the summer of 2008. Profits at Almex, our Mexican cereal sweeteners and starches joint venture, were broadly in line with the prior year.

Our citric acid business performed well and delivered solid profit improvement over the prior year. Fundamentals have become more positive during the financial year, with a tightening in global supply. The International Trade Commission (ITC), in its final determination, has imposed anti-dumping duties on Chinese citric acid imports entering the USA. We realised a profit of £4 million from selling land in Mexico owned by our citric acid joint venture which ceased production in 2003.

Primary industrial sales (comprising ethanol and native industrial starches) of £393 million were 27% above the prior year (4% in constant currency). However, operating profits of £3 million were 93% below (93% in constant currency) the total of £42 million achieved in the prior year. We recognised losses from ethanol, due to significantly lower unit margins particularly during the second half of the financial year and additional costs associated with the commissioning of the Loudon, Tennessee capacity expansion, with a combined effect of £28 million.

Primary industrial starch volumes were 9% below the prior year, although unit margins were marginally higher. Volumes during the first half of the 2009 financial year benefited from additional demand following floods in Iowa, which affected production at competitor plants. Volumes during the second half fell to levels appreciably below the comparative period as demand from the paper and packaging industries reduced significantly.

**Value added**

Value added ingredients sales increased by 23% to £526 million (4% in constant currency). Operating profits increased by 22% to £83 million (4% in constant currency).

Food volumes were below the prior year, due principally to a reduction in value added sweetener sales, but pricing improved over the prior year to a level which more than covered input cost increases. Profits in local currency at our US Food Systems business, Custom Ingredients, were in line with the prior year.

Value added industrial ingredients broke even, in line with the prior year. Sales volumes during the second half of the 2009 financial year were adversely impacted by lower levels of US domestic and export demand, leading to volumes well below the comparative period. This impact was offset by firmer pricing compared with the prior year which more than covered higher corn prices. The Bio-PDO™ loss in the year was smaller than the prior year.

**Looking ahead**

With the capacity expansion for value added food ingredients at Sagamore, Indiana complete and the expansion at Loudon, Tennessee being commissioned to produce ethanol, value added ingredients and substrate for the Bio-PDO™ plant, we now have an asset base from which to develop our business in the future. Food and beverage ingredient volumes have been reasonably resilient in the face of the economic downturn, and we expect this to continue.

Construction activities at the new corn wet mill at Fort Dodge, Iowa, which is designed to produce industrial starches and ethanol, had been progressing satisfactorily and are 95% complete. However, we have decided to postpone final construction and start-up of this plant until ethanol market conditions improve. With a number of dry mill ethanol producers operating within Chapter 11 bankruptcy, and reduced consumption of US gasoline, ethanol margins are likely to remain under pressure in the short term. We continue to believe that the RFS will underpin profitability in this industry over the medium to long term.

In the near term, the actual level of customer demand and net corn costs will be key factors in determining our performance. In the second half of the 2010 financial year, our performance will also be influenced by the timing of the recovery in ethanol margins and the outcome of the 2010 calendar year US sweetener pricing round. Industrial starches have fallen in line with paper and packaging production and we would expect some recovery as and when the major economies emerge from the current recession. However, the competitiveness of the US paper and board industry will be dependent also on any further change in the relative strength of the US dollar against currencies of major export markets.

# Food & Industrial Ingredients, Europe

Our Food & Industrial Ingredients, Europe division has two parts, Single Ingredients and Food Systems, linked by a strong R&D network. Our Single Ingredients business includes the Eaststarch joint venture (five corn plants in Central Europe) which produces sweeteners and starches, and our corn plant in the Netherlands which produces speciality starches. Our Food Systems business makes bespoke stabilising systems.

## Key performance indicators

| Return on net operating assets[1] | |
|---|---|
| **Target (longer-term)** | **20%** |
| 2009 | 8% |
| 2008 | 10% |
| 2007 | 14% |

1 Measured by financial year on continuing operations

**Description.** This is the division's profit before interest, tax and exceptional items divided by the average net operating assets. The Group's initial target is to achieve a return on net operating assets of 15%, with a longer-term target of 20%.

| Energy use[2] | |
|---|---|
| **Target** | **3.0% reduction** |
| 2008 | 1.2% increase |
| 2007 | 1.2% reduction |
| 2006 | 2.4% reduction |

2 Measured by calendar year

**Description.** Our businesses have a target to reduce energy consumption on a per unit basis by 3% each year. The figures above show the percentage movement in the division's energy index each year. More details on the Group's energy use are on page 73.

| Safety index[3] | |
|---|---|
| **Target** | **zero** |
| 2008 | 0.42 |
| 2007 | 2.52 |
| 2006 | 1.28 |

3 Measured by calendar year

**Description.** Our safety index compares safety performance across the division and is a weighted average of injuries sustained in the workplace, with more severe incidents having greater impact. The lower the index, the better the performance. More details are on page 71.

**Combining our expertise**
Through our Food Systems businesses, Hahn and Cesalpinia, we are a leading provider of stabiliser systems in Europe, particularly for packaged foods such as mayonnaise, yoghurts and ice cream. In 2008, we restructured these two businesses and our South African business into a single unit to align their activities and share knowledge.

## What we do

- Plants
- Blending facilities

**Processes and raw materials**
Corn (maize) milling
Food systems
Locust bean gums

**Main joint venture**
Eaststarch: cereal sweeteners and starches

## Having restructured the division during the year to focus on Single Ingredients and Food Systems, we performed well achieving a 24% increase in adjusted operating profit.

Olivier Rigaud
President, Food & Industrial Ingredients, Europe

### Financial highlights

| £m | Year to 31 March 2009 Primary | Value added | Total | Year to 31 March 2008 Primary | Value added | Total |
|---|---|---|---|---|---|---|
| **Sales** | | | | | | |
| Food | 170 | 206 | 376 | 168 | 155 | 323 |
| Industrial | 163 | – | 163 | 138 | – | 138 |
| | 333 | 206 | 539 | 306 | 155 | 461 |
| **Adjusted operating profit** | | | | | | |
| Food | 27 | 24 | 51 | 14 | 21 | 35 |
| Industrial | – | – | – | 6 | – | 6 |
| | 27 | 24 | 51 | 20 | 21 | 41 |
| **Margin** | | | | | | |
| Food | 15.9% | 11.7% | 13.6% | 8.3% | 13.5% | 10.8% |
| Industrial | – | – | – | 4.3% | – | 4.3% |
| Total | 8.1% | 11.7% | 9.5% | 6.5% | 13.5% | 8.9% |

### Key markets

| Primary food | Primary industrial | Value added single ingredients | Value added food systems |
|---|---|---|---|
| ■ Isoglucose, dextrose<br>– Sweeten food and drinks | ■ Industrial starch (native, cationic, dextrins)<br>– Gives strength and finish to paper<br>– Adhesives for packaging<br>– Binders for construction materials | ■ Speciality sweeteners<br>– Sweeten food and drinks<br>– Enhance flavour | ■ Stabiliser systems<br>– Stabilise packaged food<br>– Improve mouthfeel and texture<br>– Act as a preservative |
| ■ Native food starch<br>– Provides texture and mouthfeel | | ■ Food starch<br>– Provides texture and mouthfeel<br>– Replaces fat | ■ Natural/high value hydrocolloids (locust bean gum, pectin)<br>– ‘Label-friendly’ products |

# Food & Industrial Ingredients, Europe continued

**Highlights**

Successful reshaping of the business with:

- Opening of the new Innovation Centre in Lille, France
- Expansion of grind capacity underway at the Boleraz, Slovakia plant to fulfil additional isoglucose quotas
- Commissioned expansions in our joint-venture businesses in Hungary and Bulgaria
- Construction underway of the first European polydextrose fibre facility at the Koog, the Netherlands plant
- Food Systems businesses, Cesalpinia, Hahn and South Africa merged into a single unit
- Safety record improved

**Strategy**

Our strategy continues to be to use the low-cost commodity base of our Single Ingredients business to improve margins and provide a platform from which to grow our value added starch-based business, and to grow our Food Systems business to increase further the contribution from value added products and solutions.

**Markets**

The division comprises two distinct businesses which are linked by a strong R&D network.

The Single Ingredients business is focused around our joint-venture corn wet milling plants in Eastern Europe and our wholly-owned corn wet milling plant in the Netherlands. Our joint-venture plants in Eastern Europe convert corn into a mixture of primary and valued added sweeteners and industrial starches. Our plant in the Netherlands produces speciality starches and will also produce polydextrose fibres towards the end of the 2010 financial year, positioning it well to take advantage of the consumer trend for health and wellness products. The Single Ingredients business serves many of the leading multinational branded and private label food and beverage producers.

Food Systems, consisting primarily of Hahn and Cesalpinia, is an asset-light, knowledge-based business serving medium-sized food and beverage companies across Europe, the Middle East and Asia. It produces highly functional systems formulated for customers from a combination of different ingredients.

**Primary**

The poor harvest in 2007 resulted in high corn costs in the first half of the 2009 financial year. A good crop in 2008, however, contributed to significantly lower net corn costs in the second half.

Volumes of isoglucose (as HFCS is called in Europe) produced within the EU are regulated via quota as part of the EU Sugar Regime. The selling price of isoglucose is linked to the price of sugar although, unlike sugar, the raw material input price is not regulated. European demand for corn-based sweeteners for use in fermentation (which is not subject to quota control) was adversely affected throughout the 2009 financial year by competition from out-of-quota sugar stocks (which act as a substitute for this purpose).

The progress of the reforms of the EU Sugar Regime are discussed later within the commentary on the Sugars division. Unlike our EU cane refineries, isoglucose producers must pay a restructuring levy during the period of the reforms, but have had their quotas increased by 60%. Producers can also surrender quota in return for restructuring aid. Restructuring levies were charged throughout the financial year to 31 March 2009 and will continue until 30 September 2009.

Industrial starch demand (for products predominantly used in the paper and packaging industries) experienced a reduction similar to that in the US of approximately 20% during the second half of the financial year. As a result, pricing for industrial starches has come under pressure.

**Value added**

Food ingredient demand has remained relatively stable, despite the deterioration in the economic climate. Pricing has generally proved to be robust, even during the final quarter of the 2009 financial year.

Consumers continue to focus on foods which provide nutritional benefits, although there was evidence during the final quarter of the 2009 financial year that demand for Food Systems' products and solutions was affected by customer destocking and lower levels of consumer demand. There was greater interest from customers in reformulating their existing products to address rising ingredient costs.

**Business performance**

Sales increased by 17% to £539 million (1% decrease in constant currency). Adjusted operating profit increased by 24% to £51 million (7% increase in constant currency). The Single Ingredients business performed well in the first full year following the disposal of five European starch plants which was completed on 1 October 2007. The business benefited from the lower cost structure achieved by relocating its head office to Slovakia. The second half year benefited from lower net corn costs after the better harvest in 2008. Good progress was also made in reorganising the Food Systems business.

**Primary**
Sales of primary products increased by 9% to £333 million (9% decrease in constant currency). Operating profit increased from £20 million to £27 million, an increase of 35% (18% in constant currency).

Within primary food ingredients, liquid sweetener volumes were marginally above the prior year, as higher isoglucose volumes arising from EU quota increases were partially offset by lower dextrose sales to the fermentation industry (which were adversely impacted by competition from out-of-quota sugar). Margins were significantly higher because of the lower corn input prices, particularly in the second half of the 2009 financial year. The plants with the larger isoglucose quotas have a strategic advantage as they are located in Europe's corn-growing areas of Central and Eastern Europe in what have become sugar deficit markets.

During the year, Food & Industrial Ingredients, Europe paid levies into the EU restructuring fund totalling £10 million (2008 – £8 million). Restructuring aid of £11 million (2008 – £nil million) was recognised following the surrender of the small isoglucose quotas in the Netherlands and Greece. The small Greek plant was closed in September 2008. In the six months to 30 September 2009, after which restructuring levies are removed, the division will incur £4 million in levies, and is expected to recognise income of £3 million for our share of restructuring aid for the surrender of the Romanian isoglucose quota in September 2009, following which the plant will be closed.

Primary industrial ingredients broke even, compared with an operating profit of £6 million in the prior year. Volumes were below the prior year, particularly towards the end of the financial year, where demand fell in line with the paper and packaging markets.

**Value added**
Value added sales increased from £155 million to £206 million, an increase of 33% (15% in constant currency). Operating profits increased by 14% to £24 million (a reduction of 3% in constant currency).

Crystalline sweetener volumes increased due to growth in the dairy and beverage markets in southern Europe. Profits from modified food starches were slightly lower due to weaker pricing during the second half of the year although volumes increased.

The Food Systems business previously comprised three separate businesses: Hahn, Cesalpinia and our blending operation in South Africa. In order to align their activities and allow knowledge and expertise to be shared more readily, we restructured these businesses into a single unit during the year. Value added profits benefited from this reorganisation, as well as a full-year contribution from Hahn (which was acquired in June 2007). The second half of the year saw pressure from the global economic downturn and changes to export markets caused by currency volatility depressing sales volumes slightly, although pricing of many key raw materials has also shown a downward trend over the same period.

**Looking ahead**
The outlook, particularly for the second half of the 2010 financial year, will be influenced by European cereal prices following the 2009 harvest.

An investment to double capacity at the Hungrana joint-venture facility, now one of the largest corn wet mills in Europe, came on stream as planned during 2008. This allows the plant to manufacture its increased isoglucose quota (the largest in the EU) and become an important producer of bioethanol. An expansion at the Bulgarian joint venture was also completed successfully.

Production of polydextrose, a value added soluble fibre, is being added to the value added starch facility in the Netherlands to address a market which has been developed with product processed in our sister US facilities. The Slovakian joint-venture facility is being expanded in order to supply the increased EU isoglucose quota.

Isoglucose prices will continue to be linked to EU sugar prices, and the impact on sugar selling prices of the final EU Sugar Regime reference price reduction on 1 October 2009 will be important in establishing a price level for isoglucose. We will benefit from the ending of restructuring levies on isoglucose quotas from 1 October 2009.

Industrial starch volumes are likely to remain under pressure until the recessionary impact on the paper and packaging industry starts to reverse.

Value added food ingredients are expected to remain relatively resilient and will benefit from the new polydextrose capacity in the Netherlands which will come on line towards the end of the 2010 financial year.

# Sugars

**Our Sugars division is the largest cane sugar refiner in the EU. It has well-known brands such as Tate & Lyle Sugars and Lyle's Golden Syrup in the UK; Sidul and Sores in Portugal; and Melli in Vietnam. It also distributes molasses, a by-product of cane sugar processing, throughout the world.**

## Key performance indicators

**Return on net operating assets[1]**

| Target (longer-term) | **20%** |
|---|---|
| 2009 | 4% |
| 2008 | 11% |
| 2007 | 12% |

1 Measured by financial year on continuing operations

**Description.** This is the division's profit before interest, tax and exceptional items divided by the average net operating assets. The Group's initial target is to achieve a return on net operating assets of 15%, with a longer-term target of 20%.

**Energy use[2]**

| Target | **3.0% reduction** |
|---|---|
| 2008 | zero |
| 2007 | zero |
| 2006 | 3.4% reduction |

2 Measured by calendar year

**Description.** Our businesses have a target to reduce energy consumption on a per unit basis by 3% each year. The figures above show the percentage movement in the division's energy index each year. More details on the Group's energy use are on page 73.

**Safety index[3]**

| Target | **zero** |
|---|---|
| 2008 | 2.04 |
| 2007 | 2.86 |
| 2006 | 2.35 |

3 Measured by calendar year

**Description.** Our safety index compares safety performance across the division and is a weighted average of injuries sustained in the workplace, with more severe incidents having greater impact. The lower the index, the better the performance. More details are on page 71.

**An iconic brand**
In 2008, in celebration of Lyle's Golden Syrup's 125th anniversary, the iconic tin, with its Victorian design, went gold. We also introduced new non-drip caps for our range of convenient plastic Lyle's Golden Syrup Pouring bottles and Lyle's Squeezy Syrup.

## What we do

■ Plants
■ Blending facilities (molasses)

**Processes and raw materials**
Cane sugar refining

**Main joint ventures**
Compania de Melazas: molasses

Premier Molasses Company: molasses

## It has been a difficult year, but as we near the end of the EU Sugar Regime restructuring period, we see increasing evidence of equilibrium returning to the EU sugar market.

Ian Bacon
Chief Executive, Sugars

## Financial highlights

| £m | Year to 31 March 2009 Primary | Value added | Total | Year to 31 March 2008 Primary | Value added | Total |
|---|---|---|---|---|---|---|
| **Sales** | | | | | | |
| Products | 711 | 68 | 779 | 596 | 73 | 669 |
| Molasses | 269 | – | 269 | 203 | – | 203 |
| | 980 | 68 | 1 048 | 799 | 73 | 872 |
| **Adjusted operating (loss)/profit** | | | | | | |
| Products | (11) | 5 | (6) | 15 | 5 | 20 |
| Molasses | 18 | – | 18 | 13 | – | 13 |
| | 7 | 5 | 12 | 28 | 5 | 33 |
| **Margin** | | | | | | |
| Products | (1.5)% | 7.4% | (0.8)% | 2.5% | 6.8% | 3.0% |
| Molasses | 6.7% | – | 6.7% | 6.4% | – | 6.4% |
| Total | 0.7% | 7.4% | 1.1% | 3.5% | 6.8% | 3.8% |

## Key markets

| Primary products | Value added products | Molasses |
|---|---|---|
| ■ Granulated and liquid sugars<br>– Sweeten food and drinks | ■ Tate & Lyle branded sugars, including Fairtrade (UK) | ■ Molasses distribution<br>– Animal feed ingredient<br>– Food ingredient<br>– Industrial ingredient |
| | ■ Lyle's Golden Syrup (UK) | |
| | ■ Sidul/Sores branded sugars (Portugal) | |
| | ■ Melli branded sugar (Vietnam) | |

# Sugars
continued

**Highlights**
- Reform of EU Sugar Regime has been successfully implemented and is nearing completion
- Disposal of International Sugar Trading business to Bunge
- Excellent performance from molasses business
- Switch to Fairtrade for all UK retail sugars by end of the 2009 calendar year progressing well
- Safety record improved

**Strategy**
In our EU sugar refining business our strategy continues to be to adapt to the new market environment created by the reform of the EU Sugar Regime. This means ensuring that we have a low-cost refining base; that we are in the right markets; and that we are the most attractive destination for raw cane sugar suppliers. For our molasses and Vietnam businesses, our objective is to maintain our leading position in these markets.

**Markets**
The markets for sugar and isoglucose within the EU are regulated through a framework of provisions (the EU Sugar Regime) as part of the Common Agricultural Policy. Historically, the EU Sugar Regime has principally provided support for the production and processing of sugar beet. Import duties have protected EU prices for sugar at levels well above world market prices, and export refunds have been used to dispose of surplus production. Production levels have been controlled through quotas held by individual member states.

In November 2005, the EU introduced changes to the EU Sugar Regime with the intention of reducing the total quantity of sugar produced within the EU and, at the same time, reducing the EU minimum price structures by 36%.

The EU market is coming to the end of the restructuring process agreed in November 2005. The EU Commission's expectation that six million tonnes of sweetener quota would be surrendered has been substantially met, and the Commissioner for Agriculture and Rural Development has declared the reform process a success. The actual timing of the quota surrender was later than initially expected, and the market has therefore been characterised by surplus stocks, albeit reducing, throughout the 2009 financial year, which has led to continued pressure on prices and refining margins.

There are clear signs of improving market conditions resulting from the completion of the voluntary quota surrender from October 2009. This is particularly true of markets in areas where quota surrender has been greatest relative to domestic market size, such as the Iberian peninsula. October 2009 is the final point of the formal restructuring process, when both the last voluntary quota surrender and final institutional price cut are implemented.

The reforms markedly increase the volume of raw and refined cane sugar that will need to be imported into the EU with cane sugar imports set to nearly double, which we see as positive for EU cane refining prospects.

In the molasses market, demand has benefited from the high prices of alternative raw materials that can be used in the animal feed sector. This kept molasses prices strong and margins good, particularly in the early part of the year.

Our biggest market is food and beverage, with many of our customers being large, international branded food and beverage businesses. We sell mostly granulated and liquid sugars (primary products) and speciality sugar products and syrups (value added). We also sell branded (value added) products directly to retail customers. In the UK our brands are Tate & Lyle Fairtrade Granulated Sugars, other Tate & Lyle speciality sugars, and Lyle's Golden Syrup; in Portugal, Sores and Sidul; and in Vietnam, Melli. Through our molasses business we also supply products into industrial and animal feed markets.

**Business performance**
Sales increased by 20% to £1,048 million (13% in constant currency). Volumes of sugar processed in the EU were 6% ahead of the prior year. Higher prices reflected the changes to destination markets.

Adjusted operating profit fell by 64% (66% in constant currency) to £12 million reflecting the surplus for most of the year in the EU sugar market, a highly competitive UK retail market and record energy prices. We recognised £17 million of transitional aid in the year (2008 – £17 million). Selling, general and administration costs within our European refining business reduced by £5 million compared with the prior year, due to reductions in staff, site and marketing costs.

Our Vietnamese cane sugar business, Nghe An Tate & Lyle, performed broadly in line with the prior year.

Our refinery in Israel made a small loss as it was commissioned. An impairment charge of £9 million was taken against these assets in the 2009 financial year.

**Primary**
Operating profit reduced to £7 million from £28 million in the prior year. Surplus sugar stocks in Northern Europe and an extremely competitive UK market depressed refining margins at our UK sugar business. Energy costs at our UK refinery more than doubled year-on-year, and added £11 million to our cost base, reflecting the impact of significantly higher gas prices.

However, capacity expansion at our Lisbon refinery enabled us to achieve a 20% increase in volumes from this plant and improve profits compared with the prior year, with notable growth in the Spanish industrial market.

Our molasses storage and distribution business had another exceptional year. Demand and pricing benefited from exceptionally high prices in alternative ingredients into animal nutrition.

**Value added**
Operating profit was flat at £5 million. EU retail volumes were below the prior year due to volume losses in the UK grocery channel. Pricing was broadly in line with the prior year.

We are pleased with the consumer response to our commitment to move all of our UK retail products to Fairtrade by the end of the 2009 calendar year.

**Looking ahead**
We see increasing evidence of equilibrium returning to EU sugar markets. We therefore expect our European sugar business to benefit from stronger refining margins after the October 2009 final price change under the reform of the EU Sugar Regime.

Although it is unclear exactly how the market will evolve once reform is complete, we continue to believe that the cane-only refining model, based at deep water ports, which we operate at both our refineries, will provide the cost structure and operational flexibility necessary to compete effectively in the EU market.

Negotiations remain on track for raw sugar supply under the new regulatory arrangements effective from 1 October 2009.

The commissioning of the biomass boiler at our London refinery, along with the new raw sugar unloading cranes, will improve the UK refinery's cost structure and provide important protection from energy price and demurrage risks. Our capacity expansion at Lisbon is providing a platform from which to grow our business in the Iberian peninsula.

With cereal prices reducing to levels closer to historic trend, and reduced volumes of molasses being traded on world markets, we expect the performance of the molasses business in the year ending 31 March 2010 to be below the exceptional levels achieved in the last two years.

In our Vietnamese sugar business, the current crop is suffering from grassy green shoot disease, which has reduced the sugar cane available from our growers and will depress profits in the 2010 financial year.

# Sucralose

**Our Sucralose division makes SPLENDA® Sucralose, the no-calorie sweetener. SPLENDA® Sucralose is used to sweeten over 4,000 foods and beverages globally, is used in many leading brands of reduced-calorie products, and also in pharmaceuticals. We are the exclusive supplier of sucralose to McNeil Nutritionals for its SPLENDA® No-Calorie Sweetener tabletop products sold in over 50 countries around the world.**

## Key performance indicators

**Return on net operating assets[1]**

| Target (longer-term) | **20%** |
|---|---|
| 2009 | 26% |
| 2008 | 23% |
| 2007 | 31% |

1 Measured by financial year on continuing operations

**Description.** This is the division's profit before interest, tax and exceptional items divided by the average net operating assets. The Group's initial target is to achieve a return on net operating assets of 15%, with a longer-term target of 20%.

**Energy use[2]**

| Target | **3.0% reduction** |
|---|---|
| 2008 | 14.9% reduction |
| 2007 | 6.9% reduction |
| 2006 | 12.9% reduction |

2 Measured by calendar year

**Description.** Our businesses have a target to reduce energy consumption on a per unit basis by 3% each year. The figures above show the percentage movement in the division's energy index each year. More details on the Group's energy use are on page 73.

**Safety index[3]**

| Target | **zero** |
|---|---|
| 2008 | zero |
| 2007 | 0.04 |
| 2006 | 0.13 |

3 Measured by calendar year

**Description.** Our safety index compares safety performance across the division and is a weighted average of injuries sustained in the workplace, with more severe incidents having greater impact. The lower the index, the better the performance. More details are on page 71.

**A brand at work**
In the last year, 71% of US households, or 82 million people, purchased a product displaying the 'Sweetened with SPLENDA® Brand' logo on its packaging. The most popular product category was yoghurt, purchased by over a quarter of US households, with juice drinks the second most popular category.

Source: IRI Consumer Network™
(52 weeks ending 28 December 2008)

## What we do

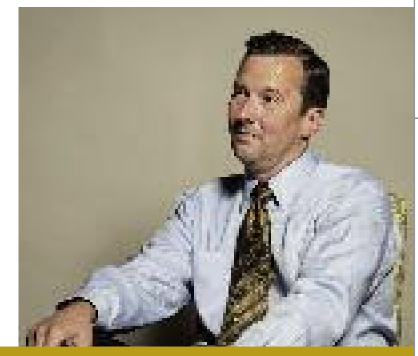
■ Plants

**Processes and raw materials**
Patented sucralose manufacturing process

1 McIntosh, Alabama being mothballed

Sales volumes grew by 6% in the year with a particularly strong performance in the UK where three of the top four grocery retailers reformulated their own-label food and beverage ranges to include SPLENDA® Sucralose.

Karl Kramer
President, Sucralose



## Financial highlights

| £m | Year to 31 March 2009 Primary | Value added | Total | Year to 31 March 2008 Primary | Value added | Total |
|---|---|---|---|---|---|---|
| Sales | – | 169 | 169 | – | 148 | 148 |
| Adjusted operating profit | – | 72 | 72 | – | 66 | 66 |
| Margin | – | 42.6% | 42.6% | – | 44.6% | 44.6% |

## Key markets

**Value added food**

- SPLENDA® Sucralose – Micronised
- SPLENDA® Sucralose – Granular

**Value added beverage**

- SPLENDA® Sucralose Liquid Concentrate
- SPLENDA® Sucralose – Granular

**Value added pharmaceutical**

- SPLENDA® Sucralose – Pharmaceutical Grade

# Sucralose
continued

**Highlights**

- Sales volume growth of 6% driven primarily by growth in international (non-US) markets
- Strong volume growth in Europe with significant gains in retailer own-label ranges
- A breakthrough in manufacturing yields has increased plant capacity and led to the decision to mothball the McIntosh, Alabama, facility
- Safety index achieved Group target of zero

**Strategy**

Our strategy is to position SPLENDA® Sucralose, a value added product, as the no-calorie sweetener of choice in no-calorie products or those involving the partial replacement of nutritive sweeteners, either as a single ingredient or in formulation with other Tate & Lyle ingredients. Our strategic alliance with McNeil Nutritionals LLC (McNeil), the owner of the SPLENDA® brand, and our ability to use that brand, give us a strong consumer presence and a distinct competitive advantage. This is enhanced by our extensive manufacturing expertise which allows us to remain the lowest cost and most environmentally responsible manufacturer of sucralose.

**Markets**

We sell SPLENDA® Sucralose as an ingredient to food, beverage and pharmaceutical manufacturers around the world. It is used to sweeten over 4,000 foods and beverages globally and is used in many leading brands of reduced-calorie products.

We estimate that the value of the global market for high-intensity sweeteners (HIS) reduced by 11% in the 2008 calendar year, returning to prior levels following the impact of Chinese saccharin supply issues in the 2007 calendar year which caused saccharin prices to treble. The North American market experienced a 6% value decline; price competition continues in this market from both incumbents and new entrants.

Global new product launches containing HIS in the 2009 financial year decreased by 5% compared to the prior year, although launches containing SPLENDA® Sucralose increased by 7% over the same period.

**Business performance**

Total sales volumes increased by 6% compared to the comparative period, with volume increase greatest in European food and beverage applications. Sales increased by 14% to £169 million (reduced by 4% in constant currency) primarily due to lower average selling prices compared to the prior year.

Adjusted operating profit increased by 9% to £72 million (reduced by 4% in constant currency), reflecting lower gross margins due to selling price reductions and changes in customer mix.

Margins at 42.6% were below the prior year. After adjusting for one-off credits, including those arising from the final settlement of deferred consideration payable to McNeil, underlying operating margins for the year were in the high 30% range.

SPLENDA® Sucralose increased its share by value of the global HIS market from 23% in the 2008 financial year to 25% in the 2009 financial year. During the year, we had a number of notable customer product launches and reformulations with SPLENDA® Sucralose, including Diet Coke and Coke Zero in China to coincide with the Beijing Olympics. Coke Zero has also been formulated to contain SPLENDA® Sucralose in Japan, Singapore, Indonesia and Thailand. In the USA, our partner McNeil launched ‘SPLENDA® with Fiber’, which used both SPLENDA® Sucralose and another one of our value added products, PROMITOR™ Soluble Corn Fiber.

In Europe, sales growth continues to be driven by strong sales to UK grocery retailers. Three of the top four have reformulated their own-label food and beverage ranges to include SPLENDA® Sucralose. We also negotiated a new global distribution agreement with pharmaceutical company Merck to grow sales in the pharmaceutical/over-the-counter segments.

In the last year, our sucralose manufacturing facilities have achieved significant and sustainable yield improvements of over 25% which has had the effect of significantly increasing production capacity.

Consequently, we have taken the decision to mothball our McIntosh, Alabama facility, and produce all our sucralose from the newer and more energy efficient fourth-generation facility in Singapore. We have recognised an impairment charge against the McIntosh assets of £97 million in the 2009 financial year. The McIntosh facility will retain a core group of employees and, if needed, can be re-started and begin manufacturing sucralose within a few months.

Our decision to mothball the McIntosh facility will ensure that we remain the most efficient and lowest cost producer of sucralose in the market. This action will have no impact on our customers as, due to the yield increases and our ability to maintain high levels of safety stocks, the Singapore facility has more than enough capacity to meet current market needs.

In our patent infringement case at the US International Trade Commission (ITC), the Administrative Law Judge gave his Initial Determination in the case on 22 September 2008. The judge did not find that Tate & Lyle's patents were infringed and his finding was upheld by the full six-person Commission in April 2009. We do not intend to file a notice of appeal to the ITC decision. Selling, general and administration costs were £7 million below the prior year principally due to lower legal costs arising from the ITC patent infringement case.

**Looking forward**

We anticipate modest growth in sales volumes in the 2010 financial year, as we further develop our close working relationships with our key customers and continue to develop European and other international markets.

After adjusting for one-off credits, underlying margins in the 2009 financial year were in the high 30 percent range. The higher cost of sales brought forward, together with costs arising from the reorganisation of the sucralose manufacturing footprint which cannot be classed as exceptional, partially offset by lower depreciation costs, will cause operating margins to be somewhat lower in the 2010 financial year.

Anticipated cash costs of £60 million associated with the decision to mothball the McIntosh, Alabama facility will be paid over three years and recognised as an exceptional charge in the year ending 31 March 2010. These cash costs are expected to have a three-year payback resulting from the reduced operating costs of having a single plant. Costs of £25 million are expected to be paid in the 2010 financial year.

# Other financial information

### Central costs

Central costs, which include head office, treasury and reinsurance activities, decreased by £13 million to £18 million. This decrease reflects a £4 million reduction in underlying head office costs. There were also one-off credits totalling £6 million (including a gain of £3 million on curtailment of a property lease) in 2009 compared with one-off redundancy costs in 2008 of £4 million arising from the simplification of the Group's organisational structure.

### Energy costs

Energy costs for the year were £208 million (2008 – £155 million), an increase of 34% (17% in constant currency). Higher prices accounted for most of the underlying increase. We have covered approximately 70% of our estimated energy needs for the 2010 financial year at prices broadly in line with levels in the 2009 financial year.

### Exceptional items from continuing operations

| £m | **2009** | 2008 |
|---|---|---|
| Write-off of equipment | **(24)** | – |
| Settlement with Mexican government | **11** | – |
| Impairment charges | **(106)** | – |
| Restructuring costs | **–** | (30) |
| Citric/astaxanthin impairment and closure | **–** | (12) |
| Orsan impairment | **–** | (17) |
| Exceptional items | **(119)** | (59) |

Exceptional items within our continuing operations during the year totalled a net charge of £119 million.

The mothballing of our McIntosh, Alabama sucralose facility gave rise to an impairment charge of £97 million in the year ended 31 March 2009. Anticipated cash costs of £60 million associated with the decision to mothball McIntosh will be paid over three years and recognised as an exceptional charge in the year ending 31 March 2010. Costs of £25 million are expected to be paid in the 2010 financial year.

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 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 (HFCS).

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

Exceptional items from continuing operations in the 2008 financial year comprised restructuring and relocation charges in respect of our remaining Food & Industrial Ingredients, Europe operations amounting to £30 million; impairment charges in respect of our citric acid business of £12 million; and of our monosodium glutamate business in China (Orsan) of £17 million. Our effective ownership of Orsan was 41% and, as a result, the impact on profit attributable to shareholders was a charge of £7 million.

### Net finance expense

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 with 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.

Interest cost is expected to be somewhat higher in the 2010 financial year due to slightly higher levels of average net debt; an increase of £12 million in charges related to post-retirement benefit plans; and the suspension of interest capitalisation in respect of the Fort Dodge, Iowa plant while final completion is postponed.

The effective interest rate in the year on total operations, calculated as net finance expense divided by average net debt, was 4.3% (2008 – 4.9%). Interest cover for total operations was 6.1 times (2008 – 7.8 times).

### Taxation

The taxation charge from continuing operations before exceptional items and amortisation of acquired intangible assets was £68 million (2008 – £84 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 USA, to which the tax rate is particularly sensitive, and the implementation of our internal financing plan.

If the mix in the geographical origin of profits in the year to 31 March 2010 is similar to those in the six months to 31 March 2009, the tax rate is expected to fall to below 25%.

### Discontinued operations

Discontinued operations comprise our former International Sugar Trading business, residual activities in Eastern Sugar, our former sugar businesses in Canada and Mexico and the five starch plants we disposed of in Europe. Sales from discontinued operations for the year amounted to £852 million (2008 – £951 million).

The operating loss from discontinued operations totalled £21 million (2008 – profit of £96 million), comprising a profit of £1 million before exceptional items (2008 – profit of £36 million) and exceptional losses of £22 million (2008 – profits of £60 million).

Exceptional items for the year totalling a charge of £22 million arose from the disposal of our International Sugar Trading business. A small number of minority interests related to the International Sugar Trading business were not included in the sale and are being addressed separately in accordance with the related shareholders' agreements. The sale of the International Sugar Trading business and the anticipated disposal of the minority interests are together unlikely to generate a material profit or loss on disposal. The sale of these minority interests is expected to occur in the 2010 financial year; the appropriate fair value gains have been recognised in the 2009 financial year through the statement of recognised income and expense. Exceptional items from discontinued operations in the prior year amounted to a profit of £60 million and comprised gains and losses from our former sugar processing businesses and the European starch plants.

The loss from discontinued operations after taxation for the year was £24 million (2008 – profit of £81 million).

### Earnings per share

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).

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), also down 65% from the prior year.

### Dividend

The Board is recommending a maintained final dividend of 16.1p making a full year dividend of 22.9p per share, an increase of 1.3% over the prior year. In reaching this decision, the Board was mindful of the need to at least maintain the Company's investment-grade credit ratings.

The proposed final dividend of 16.1p (2008 – 16.1p) will be due and payable on 31 July 2009 to all shareholders on the Register of Members at 3 July 2009.

An interim dividend of 6.8p (2008 – 6.5p) was paid on 9 January 2009. Adjusted dividend cover based on total operations was 1.7 times (2008 – 1.8 times) and for continuing operations was 1.7 times (2008 – 1.5 times). The dividend was covered 1.5 times by free cash flow.

At the Annual General Meeting on 23 July 2009, shareholders will be asked to approve the issuing of scrip dividends, where shareholders can elect to accept newly issued shares in place of a cash dividend. If approved, scrip dividends could be offered for the first time for the year ending 31 March 2010.

### Cash flow

| £m | **2009** | 2008 |
| --- | --- | --- |
| Adjusted operating profit | **298** | 295 |
| Depreciation/amortisation | **117** | 103 |
| Working capital and other movements | **31** | (159) |
| Share-based payments | **5** | 7 |
| Operating cash flow | **451** | 246 |
| Capital expenditure | **(224)** | (264) |
| Operating cash flow less capital expenditure | **227** | (18) |

| £m | **2009** | 2008 |
| --- | --- | --- |
| Food & Industrial Ingredients, Americas | **293** | 195 |
| Food & Industrial Ingredients, Europe | **102** | (45) |
| Sugars | **10** | 109 |
| Sucralose | **70** | 62 |
| Central | **(24)** | (75) |
| Operating cash flow | **451** | 246 |
| Food & Industrial Ingredients, Americas capital expenditure | **(158)** | (150) |
| Other capital expenditure | **(66)** | (114) |
| Operating cash flow less capital expenditure | **227** | (18) |

Operating cash flow from continuing operations amounted to £451 million, an increase of over £200 million compared with the prior year. The improvement was driven principally by improvements in working capital, particularly in the second half of the year.

The adverse effects of margin calls of about £70 million, primarily against future corn purchases in the USA, were more than compensated for by the decreases in inventory (principally in the USA) and receivables amounting to £190 million.

# Other financial information
continued

There were outflows from provisions of £75 million, primarily from pension payments of £31 million and the payment of exceptional restructuring and redundancy costs in respect of the European starch plants. The operating cash flows in the prior year also benefited from the receipt of transitional aid of £74 million for the EU sugar operations which is being recognised in income up to September 2010.

Net interest paid totalled £56 million (2008 – £34 million).

Income tax paid from continuing operations was £17 million (2008 – £75 million); the lower level was driven in part by refunds relating to prior years totalling about £35 million in the UK and the USA.

Capital expenditure remained at similar levels to 2008 as capacity expansion projects and the construction of the new plant at Fort Dodge, Iowa, continued. These projects are now largely completed. Capital expenditure was 2.0 times depreciation in the year. In the year ending 31 March 2010, capital expenditure will be held below the depreciation charge.

Free cash inflow (representing cash generated from continuing operations less interest, taxation and capital expenditure) totalled £154 million (2008 – outflow of £127 million).

Cash generation from discontinued operations in the year amounted to £206 million (2008 – outflow of £108 million). The disposal and cessation of our International Sugar Trading activities realised cash of £57 million; there will be additional cash flows from these activities in the 2010 financial year as we settle retained creditor balances and run off the contractual arrangements not transferred to Bunge. In the 2010 financial year, we anticipate cash outflows to Bunge will be approximately £29 million. In addition, the Eastern Sugar restructuring funds were received this year, with our share being £53 million.

Equity dividends were £104 million (2008 – £105 million). In total, we paid a net of £160 million (2008 – £139 million) to providers of finance in the form of dividends and interest. We recognised a net inflow of £3 million relating to employees exercising share options during the year (2008 – £8 million).

Net cash generated (defined as cash from operating activities, investing activities and share issues, less shares repurchased and dividends) amounted to £245 million compared with absorption of cash in 2008 of £160 million.

### Net debt

Despite the strong cash generation in the year, net debt increased from £1,041 million to £1,231 million due to the effects of exchange (£378 million) and other non-cash movements (£57 million). The Group's debt is primarily denominated in US dollars and euros to match the underlying currencies of the operational cash flows and net assets and, therefore, as sterling has weakened against the US dollar and the euro, net debt reported in sterling has increased.

During the year, net debt peaked at £1,530 million in December 2008 (in the prior year, it peaked at £1,041 million in March 2008). The average net debt was £1,230 million, an increase of £385 million from £845 million in the prior year.

### Net assets and return on net operating assets

| | As at 31 March | | Return on net operating assets % | |
|---|---|---|---|---|
| £m | **2009** | 2008 | **2009** | 2008 |
| Net operating assets | | | | |
| Food & Industrial Ingredients, Americas | **1 186** | 836 | **18** | 23 |
| Food & Industrial Ingredients, Europe | **530** | 489 | **8** | 10 |
| Sugars | **335** | 304 | **4** | 11 |
| Sucralose | **243** | 275 | **26** | 23 |
| Central | **65** | 43 | **–** | – |
| Total net operating assets | **2 359** | 1 947 | **13** | 16 |
| Other | **(115)** | 44 | | |
| | **2 244** | 1 991 | | |
| Net debt | **(1 231)** | (1 041) | | |
| Net assets | **1 013** | 950 | | |

Net assets at 31 March 2009 were £1,013 million (2008 – £950 million). This increase was driven by retained profits of £70 million, exchange effects (net of hedging effects) of £139 million and gains on available for sale investments of £24 million, offset by post-retirement benefit actuarial losses of £40 million, cash flow hedge losses of £25 million and dividends of £104 million. Net current assets were marginally higher at £510 million. Return on net operating assets was 12.7% (2008 – 15.5%).

**Shareholders' equity**

During the year, 0.1 million shares were issued and 1.4 million shares were released from treasury for a total consideration of £3 million. No shares were repurchased during the year. At 31 March 2009, there were 460.0 million shares in issue of which 1.3 million were held in treasury.

**Funding and liquidity management**

We manage our exposure to liquidity risk and ensure maximum flexibility in meeting changing business needs by maintaining access to a wide range of funding sources, including capital markets and bank borrowings. Capital market issues outstanding at 31 March 2009 include the US$300 million 6.125% 144A bond maturing in 2011; the £200 million 6.50% bond maturing in 2012; the US$500 million 5.00% 144A bond maturing in 2014; and the US$250 million 6.625% 144A bond maturing in 2016.

We ensure that we have sufficient undrawn committed bank facilities to provide liquidity back-up to cover our funding requirements for the foreseeable future. We have committed bank facilities of US$1,130 million of which US$85 million mature in September 2009; US$45 million mature in November 2009; and US$1 billion mature in October 2012. These facilities are unsecured and contain common financial covenants for Tate & Lyle and our subsidiary companies that: pre-exceptional and amortisation interest cover ratio based on total Group operations should not be less than 2.5 times; and the multiple of net debt to EBITDA, as defined in our bank covenants, should not be greater than 4.0 times. Interest cover fell to 6.1 times (2008 – 7.8 times).

The effects of exchange rate changes are felt more gradually in earnings, which are translated using average rates, than in debt, which is translated at the closing exchange rates. To eliminate the distortion this would otherwise cause, and to reflect more accurately the underlying economic conditions, net debt and EBITDA are now both calculated using average exchange rates. On this basis, the ratio of the year end was 2.4 times (2008 – 2.5 times). An amendment was unanimously agreed with the participants in the US$1 billion Revolving Credit Facility to change the calculation of this ratio to use average exchange rates to translate net debt. Under the previous covenant calculation, the ratio of net debt to EBITDA would have been 2.9 times (2008 – 2.6 times).

We monitor compliance against all our financial obligations, and it is our policy to manage the consolidated balance sheet so as to operate well within covenanted restrictions at all times. The majority of our borrowings are raised through the Group treasury company, Tate & Lyle International Finance PLC, and are then on-lent to the business units on an arm's-length basis.

Current policy is to ensure that, after subtracting the total of undrawn committed facilities, no more than 10% of gross debt matures within 12 months and no more than 35% has a maturity within two and a half years. At the year end, after subtracting total undrawn committed facilities, there was no debt maturing within 12 months or within two and a half years (2008 – none and none). The average maturity of our gross debt was approximately five years (2008 – approximately six years). At the year end we held cash and cash equivalents of £434 million (2008 – £165 million) and committed facilities of £788 million (2008 – £559 million) of which £524 million (2008 – £438 million) were undrawn. We maintain these resources to provide liquidity back-up and to meet the projected maximum cash outflow from debt repayment, capital expenditure and seasonal working capital needs foreseen for at least a year into the future at any one time.

**Capital risk management**

Our primary objectives in managing capital are to safeguard the business as a going concern; to maintain sufficient financial flexibility to undertake our investment plans; at least maintain an investment-grade credit rating which enables consistent access to debt capital markets; and to optimise our capital structure in order to reduce the cost of capital. The Group's financial profile and level of financial risk is assessed on a regular basis in the light of changes to economic conditions; business environment; our business profile; and the risk characteristics of our businesses.

Tate & Lyle has contractual relationships with Moody's and Standard and Poor's (S&P) for the provision of credit ratings, and it is our policy to keep them informed of all major developments. In February 2009, S&P downgraded Tate & Lyle's long-term credit rating from BBB (negative outlook) to BBB- (negative outlook). In April 2009, Moody's downgraded the Group's long-term credit rating from Baa2 (negative outlook) to Baa3 (stable outlook). We are committed to maintaining investment-grade credit ratings.

# Other financial information
continued

As part of the Board's monitoring of performance, it has set two ongoing key performance indicators (KPIs) to measure the Group's financial strength. The basis for these ratios is the same as the external debt covenants, except that the ratio of net debt to EBITDA should not exceed 2.5 times, and that interest cover should exceed 5 times.

**Off balance sheet arrangements**
In the ordinary course of business, to manage our operations and financing, we enter into certain performance guarantees and commitments for capital and other expenditure.

The aggregate amount of indemnities and other performance guarantees, on which no material loss has arisen, including those related to joint ventures and associates, was £97 million at 31 March 2009 (2008 – £43 million).

We aim to optimise financing costs in respect of all financing transactions. Where it is economically beneficial, we choose to operate leases rather than purchase assets. Leases of property, plant and equipment where the lessor assumes substantially all the risks and rewards of ownership are treated as operating leases, with annual rentals charged to the income statement over the term of the lease. Commitments under operating leases to pay rentals in future years totalled £237 million (2008 – £228 million) and related primarily to railcar leases in the USA. Rental charges for the year ended 31 March 2009 in respect of continuing operations were £27 million (2008 – £21 million).

**Post-retirement benefits**
We maintain pension plans for our employees throughout the world. Some of these arrangements are defined-benefit pension schemes. In the USA, we also provide medical and life assurance benefits as part of the retirement package. Further details are set out in Note 31 to the financial statements. At 31 March 2009, there was a net deficit in respect of these arrangements of £211 million (2008 – £91 million). The increase in the deficit was driven by an exchange loss of £63 million, and a reduction in assets of £247 million, partly offset by a reduction in benefit obligations of £176 million. The liabilities under these arrangements are valued using actuarial assumptions under IAS19 'Employee Benefits'. There are alternative methods of valuation, such as discontinuance (in the event of an employer's insolvency) or buyout. Such methods depend on a range of different assumptions and, in the case of buyouts, market quotations are based on the individual scheme's circumstances.

The service charge is forecast to reduce slightly from £14 million to £12 million in the 2010 financial year, whilst the net interest cost is expected to increase by £12 million to £15 million.

**Financial risk controls**

**Management of financial risk**
Our main financial risks are credit, liquidity, and market risks. These latter include interest rate risk, currency risk and certain commodity price risks. We also face certain non-financial or non-quantifiable risks; these are set out on pages 27 to 30. The Board sets overall risk limits, and regularly reviews financial risks and approves written policies concerning the use of financial instruments to manage them.

The Group Finance Director retains overall responsibility and management of financial risk for the Group. Most of our financing, interest rate and foreign exchange risks are managed through the Group treasury company, Tate & Lyle International Finance PLC, whose operations are controlled by its board. It is chaired by the Group Finance Director and has other board members who are executives who are independent of the treasury function. The Tate & Lyle PLC Board approves policies and procedures setting out permissible funding and hedging instruments, exposure limits and a system of authorities for the approval of transactions. Group interest rate and currency exposures are concentrated either in the treasury company or in appropriate holding companies through market-related transactions with Group subsidiaries. These acquired positions are managed by the treasury company within its authorised limits.

Commodity price risks are managed through divisional commodity trading functions in Europe and the USA, whose operations are controlled by the divisional Executive Committee. The committee meets periodically, is responsible for ratifying general strategy and oversees performance on a monthly basis. Commodity price contracts are categorised as being held either for trading or for hedging price exposures. Commodity contracts held for trading within the Group are limited, confined only to tightly-controlled areas within the sugar and corn pricing operations.

The derivative financial instruments we use to manage financial risks include swaps (both interest rate and currency); swaptions; caps; forward rate agreements; financial and commodity forward contracts and options; and commodity futures.

**Interest rate risk**

We are exposed to interest rate changes, arising principally from changes in borrowing rates in US dollars, sterling and euros. We manage this risk by fixing or capping portions of debt using interest rate derivatives to achieve a target level of fixed/floating rate net debt, which aims to optimise net finance expense and reduce volatility in reported earnings. Our policy is that between 30% and 75% of Group net debt (excluding the Group's share of joint-venture net debt) is fixed or capped (excluding out-of-the-money caps) for more than one year, and that no interest rate fixings are undertaken for more than 12 years. At 31 March 2009 the longest term of any fixed-rate debt held by the Group was until June 2016. The proportion of net debt (excluding the Group's share of joint-venture net debt) that was fixed or capped for more than one year was 55% (2008 – 62%).

If the interest rates applicable to our floating-rate debt rise from the levels at the end of March 2009 by an average of 100 basis points over the year to 31 March 2010, with all other variables held constant, this would reduce Group operating profit before tax by approximately £4 million (2008 – £4 million).

**Foreign exchange risk**

We have significant investment in overseas operations, particularly in the USA and Europe. Earnings, cash flows and shareholders' equity are therefore exposed to foreign exchange risks.

We require our subsidiaries to hedge transactional currency exposures against their functional currency once they are committed or highly probable, mainly through the use of forward foreign exchange contracts.

Our accounting policy is to translate profits of overseas companies using average exchange rates. We do not hedge exposures arising from profit translation. As a result, in any particular financial year, currency fluctuations may have a significant impact on our financial results. In particular, a strengthening or weakening of the US dollar against sterling will have a favourable or adverse effect respectively on the Group's reported results.

We manage foreign exchange translation exposure on net investments in overseas operations, particularly in the USA and Europe, by maintaining a percentage of net debt in US dollars and euros to mitigate the effect of these risks. This is achieved by borrowing principally in US dollars and euros, which provide a partial match for the Group's major foreign currency assets. A weakening of the US dollar and euro against sterling would result in exchange gains on net debt denominated in these currencies which would be offset against the losses on the underlying foreign currency assets. At the year end, net debt was held in the following currencies: net borrowings of US dollars 77% (2008 – 81%), euros 20% (2008 – 21%), sterling 3% (2008 – deposits of 4%) and other currency deposits of 0% (2008 – borrowings of 2%).

The following table illustrates our sensitivity to the fluctuation of the major currencies in which we transact business. Sensitivity is calculated on financial assets and liabilities as at 31 March 2009, denominated in non-functional currencies for all operating units within the Group.

| | **31 March 2009** | | 31 March 2008 | |
|---|---|---|---|---|
| -/+ £m | **Income statement** | **Equity** | Income statement | Equity |
| Sterling/US$ 5% change | 1 | 40 | 1 | 35 |
| Sterling/euro 5% change | 1 | 13 | 2 | 14 |

**Counterparty credit risk**

Counterparty credit risk arises from placing deposits and entering into derivative financial instruments with banks and other financial institutions, as well as credit exposures in outstanding trade receivables.

We manage this risk by placing deposits and entering into financial instruments only with highly credit-rated authorised counterparties which are reviewed and approved regularly by the Board. The Board approves maximum counterparty exposure limits for specified banks and financial institutions based on long-term credit ratings (typically A-/A3 or higher) of S&P and Moody's. We monitor counterparties' positions regularly to ensure that they are within the approved limits and that there are no significant concentrations of credit risks.

# Other financial information
continued

### Price risk
We use derivatives to hedge movements in the future prices of commodities in those domestic and international markets in which we buy and sell sugar, corn and energy for production. We use commodity futures and options to hedge inventories and the costs of raw materials for unpriced and prospective contracts not covered by forward product sales. The options and futures hedging contracts generally mature within one year and are either traded on recognised exchanges or over the counter.

### Use and fair value of financial instruments
In the normal course of business we use both derivative and non-derivative financial instruments.

The fair value of Group net borrowings at the year end was £1,332 million against a book value of £1,231 million (2008 – fair value £1,106 million; book value £1,041 million).

Derivative financial instruments used to manage the interest rate and currency of borrowings had a fair value of £13 million liability (2008 – £12 million asset). The main types of instrument used are interest rate swaps, interest rate options (caps or floors) and cross-currency interest rate swaps.

The fair value of other derivative financial instruments hedging future currency and commodity transactions was £36 million liability (2008 – £7 million liability). When managing currency exposure, we use spot and forward purchases and sales, and options.

The fair value of derivative financial instruments held for trading was £44 million liability (2008 – £9 million asset) arising in our commodity trading operations.

### Fair value estimation
The fair value of derivative financial instruments is based on the market price of comparable instruments at the balance sheet date if they are publicly traded. The fair value of the forward currency contracts has been determined based on market forward exchange rates at the balance sheet date. The fair values of short-term deposits, receivables, payables, loans and overdrafts with a maturity of less than one year are assumed to approximate their book values. The fair values of bonds, bank and other loans, including finance lease liabilities due in more than one year, are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments, adjusted for the fair valuation effects of currency and interest rate risk exposures, where those instruments form part of related hedging relationship agreements, financial and commodity forward contracts and options, and commodity futures. The value of certain items of merchandisable agricultural commodities that are included in inventories are based on market prices.

### Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the 'What we do' and 'How we performed' sections on pages 13 to 58. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the same sections on pages 52 to 58. In addition, Note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As set out in the sections and note referenced above, the market conditions of the areas in which the Group operates have been, and are likely to continue to be, challenging. However, with some 70% of revenues from food and beverage ingredients, the Group has a measure of resilience (although not immunity) to the economic downturn. In addition, the Group has access to considerable financial resources through its facilities as described in Note 21 to the financial statements. In making their assessment of the going concern basis, the directors have reviewed the maturities of these facilities, the headroom available from them and the Group's ability to meet the covenant requirements of certain of them. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

This section shows how our Board and executive management aim to uphold the highest standards of corporate governance, and how we apply our four core values – safety, integrity, knowledge, innovation – to everything we do.

## How we run the business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Production meeting at Koog, the Netherlands

# Board of directors

**1 Sir David Lees**
Chairman

**2 Iain Ferguson CBE**
Chief Executive

**3 Tim Lodge**
Group Finance Director

**4 Sir Peter Gershon**
Independent non-executive director and Chairman-elect

**5 Richard Delbridge**
Senior Independent Director

**6 Elisabeth Airey**
Independent non-executive director

**1 Sir David Lees**
**Chairman**
Joined the Board and was appointed Chairman in October 1998. Sir David joined GKN plc in 1970 and was appointed Group Finance Director in 1982, Group Managing Director in 1987 and then Chairman and Chief Executive in 1988 before becoming non-executive Chairman of GKN in 1997 until his retirement in May 2004. He served as a non-executive director of the Bank of England (1991-1999) and as Chairman of Courtaulds plc (1996-1998). Sir David is currently Deputy Chairman and Senior Independent Director of QinetiQ Group plc; a governor of the Royal Ballet School; a member of the Panel on Takeovers and Mergers and Chairman of the Court of the Bank of England. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and is a Deputy Lieutenant of the County of Shropshire. Aged 72.

**2 Iain Ferguson CBE**
**Chief Executive**
Joined the Group and was appointed Chief Executive in May 2003. Previously Iain worked for Unilever where he held a number of senior positions including Executive Chairman of Birds Eye Wall's in 1995 and then Senior Vice President Corporate Development. He is a former Commissioner on the UK Government's Policy Commission on the Future of Farming and Food, and a former President of both the Food & Drink Federation (2006-2008) and the Institute of Grocery Distribution (2003-2004). Iain is currently Chairman of the Wilton Park Departmental Board and Advisory Council, a member of the UK Government's Council of Food Policy Advisers, a member of the Institute of Grocery Distribution's Policy Issues Council, a non-executive director of Greggs plc and Honorary Vice President of the British Nutrition Foundation. Aged 53.

**3 Tim Lodge**
**Group Finance Director**
Joined the Group in 1988 and joined the Board in December 2008 as Group Finance Director. Tim has held a number of senior operational and financial roles at Tate & Lyle, both in the UK and internationally, including Managing Director of Zambia Sugar; Group Financial Controller; Finance Director of the Food & Industrial Ingredients, Europe division; and Director of Investor Relations. He is an Associate of the Chartered Institute of Management Accountants. Aged 44.

**4 Sir Peter Gershon**
**Independent non-executive director and Chairman-elect**
Joined the Board in February 2009. Sir Peter was formerly Chief Executive of the Office of Government Commerce, Managing Director of Marconi Electronic Systems and a member of the GEC plc Board.

**7 Evert Henkes**
Independent non-executive director

**8 Robert Walker**
Independent non-executive director

**9 Dr Barry Zoumas**
Independent non-executive director

**10 Robert Gibber**
Company Secretary & General Counsel

He is also Non-Executive Chairman of Premier Farnell plc, GHG Limited (General Healthcare Group) and Vertex Data Science Limited; and a member of the Advisory Board of the UK Defence Academy and the Court and Council of Imperial College. Aged 62.

**5 Richard Delbridge**
**Senior Independent Director**
Joined the Board in September 2000 and was appointed Senior Independent Director in December 2003. A Chartered Accountant, Richard is a former Partner of Arthur Andersen & Co. In 1976, he joined JP Morgan and was Group Comptroller and later Managing Director of the London offices. In 1989, he was appointed Director, Group Finance, at Midland Bank plc, later becoming Group Finance Director, HSBC Holdings plc.

In 1996, Richard was appointed Director and Group Chief Financial Officer of National Westminster Bank Plc, a position he held until April 2000. He is a non-executive director of JP Morgan Cazenove Holdings and a Council Member and Treasurer of The Open University. Aged 67.

**6 Elisabeth Airey**
**Independent non-executive director**
Joined the Board in January 2007. From 1990 to 1999 Elisabeth served as Finance Director of Monument Oil and Gas plc until its sale to Lasmo plc. She is currently a non-executive director and Chairman of the JP Morgan European Fledgeling Investment Trust PLC. She is Chairman of the Unilever UK Pension Fund and is also a non-executive director of Dunedin Enterprise Investment Trust PLC. Aged 50.

**7 Evert Henkes**
**Independent non-executive director**
Joined the Board in December 2003. Evert worked for the Royal Dutch/Shell Group of companies for 30 years, during which time he held a number of senior management positions in Europe and Asia Pacific culminating in his appointment as Chief Executive of Shell Chemicals in 1998. He retired from Shell in April 2003. He is also a member of the international advisory board of CNOOC Ltd and a non-executive director of Outokumpu OYJ, Air Products and Chemicals Inc, and SembCorp Industries Ltd. Aged 65.

**8 Robert Walker**
**Independent non-executive director**
Joined the Board in January 2006. Robert is Chairman of WH Smith PLC and of BCA Holdings Ltd. He was previously Chairman of Williams Lea, and has served on various FTSE 100 and 250 boards, including Wolseley, BAA, Signet, Thomson Travel Group and Severn Trent, where he was Group Chief Executive. He has also served as adviser to Cinven. He started his career at Procter and Gamble and McKinsey & Co., then spent over 20 years with PepsiCo, culminating as Division President. Aged 64.

**9 Dr Barry Zoumas**
**Independent non-executive director**
Joined the Board in May 2005. Barry is currently the Alan R. Warehime Professor of Agribusiness and Professor of Food Science and Nutrition at Penn State University, USA. He is also Global Chairman of the International Life Sciences Institute. Barry spent his early career at Mead Johnson before joining Hershey Foods Corporation in 1970 where he worked for 27 years, holding a number of positions, culminating as Corporate Vice President of Science and Technology. Aged 66.

**10 Robert Gibber**
**Company Secretary & General Counsel**
A solicitor, Robert joined Tate & Lyle in 1990 as a commercial lawyer. He previously worked for City law firms Wilde Sapte and Herbert Oppenheimer. He graduated from Wadham College, Oxford in Oriental Studies (Chinese) in 1984. He was appointed General Counsel in 1997 and then also Company Secretary in 2001. Aged 46.

# Executive management

## The Group Executive Committee oversees the development and execution of the Group's strategy, and has overall responsibility for achieving business results.

### Members of the Group Executive Committee

**Iain Ferguson (Chairman)**
**Chief Executive**
Iain's biography is on page 60.

**Tim Lodge**
**Group Finance Director**
Tim's biography is on page 60.

**Robert Gibber**
**Company Secretary and General Counsel**
Robert's biography is on page 61.

**Ian Bacon**
**Chief Executive, Sugars**
Ian joined Tate & Lyle in November 2005 and became Chief Executive, Sugars in January 2006. He joined from Unilever where he was Vice President, Global Customer Development with responsibility for increasing sales growth across the business. A graduate of Birmingham University, Ian began his 26-year career with Unilever in 1979, holding a number of senior positions including Vice President, Operations North Africa, Middle East and Turkey; and General Manager, Birds Eye Wall's.

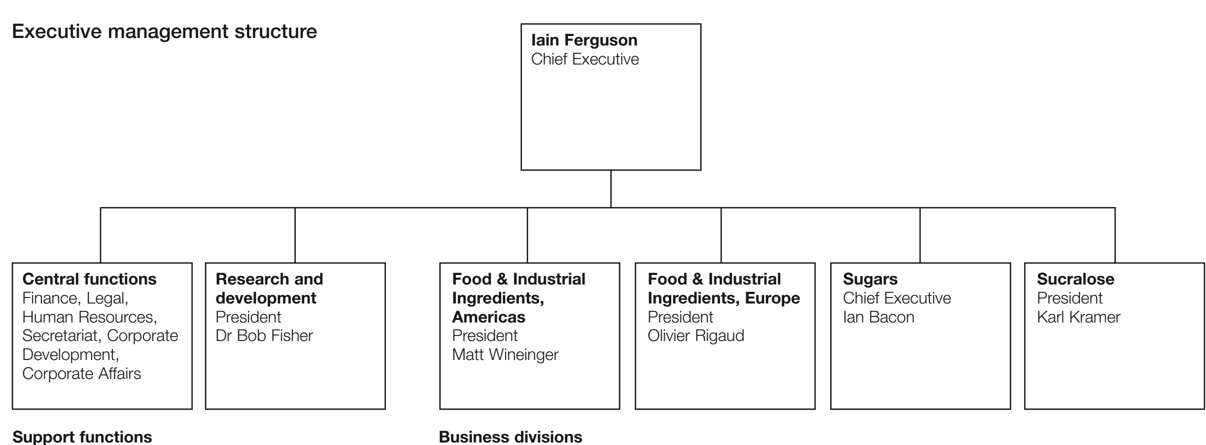
**Dr Bob Fisher**
**President, Global R&D**
Bob joined Tate & Lyle as Head of Global R&D in December 2006 and was appointed President Global R&D in July 2008. He joined from the International Life Science Institute, North America, where he was Executive Director and Chief Operating Officer. Prior to that, he was Executive Vice President, Business Development and New Technology for John I. Haas, a leading producer and trader of hops, and before that Vice President, Research & Development, North America, for The Campbell Soup Company. Bob has a PhD in Food Science.

**Karl Kramer**
**President, Sucralose**
Karl joined Tate & Lyle in April 2008 and became President, Sucralose in June 2008. A graduate of Chemical Engineering from the New Jersey Institute of Technology, Karl began his career in R&D at General Foods. He then worked in brand management for Nestlé, and in international sales for the NutraSweet Kelco Division of Monsanto. Before joining Tate & Lyle, Karl held various general management roles in the flavour division of Givaudan. Karl holds an MBA from the New York University Stern School of Business.

**Olivier Rigaud**
**President, Food & Industrial Ingredients, Europe**
After graduating in Chemistry from University Aix-Marseille in 1988 Olivier joined Tate & Lyle (Amylum business) as a sales manager in France. He then held various management positions including in industrial products, liquid sweeteners and alcohol sales. In 2000, Olivier became Vice President Food Ingredients, Europe. In July 2008 he was appointed President, Food & Industrial Ingredients, Europe.

**Matt Wineinger**
**President, Food & Industrial Ingredients, Americas**
Matt joined Tate & Lyle in March 2008 and became President, Food & Industrial Ingredients, Americas in July 2008. He joined from Swift and Co, where he was President of their Australian Meat Holdings division. A graduate of Kansas State University, Matt started his career in the Food Products Division at Procter & Gamble and then worked in a variety of roles for Monsanto. In 2000 he joined Cargill, becoming President of Sales, Marketing and Research & Development in 2002 for its Meat Solutions division in Kansas.

### Executive management structure



# Corporate governance

## Tate & Lyle is committed to high standards of corporate governance which the Board believes are central to achieving the Group's objectives and maximising shareholder value.

**Compliance with the Combined Code**
Tate & Lyle's ordinary shares are listed on the Official List of the UK Listing Authority. Therefore, the Company is required to state whether it has complied with the provisions in Section 1 of the UK Financial Reporting Council's Combined Code on Corporate Governance (as updated in 2006) (the Code) during the financial year under review. The Board confirms that the Company has complied with all the provisions set out in Section 1 of the Code during the financial year ended 31 March 2009.

This report, together with the directors' remuneration report on pages 84 to 96, provides details of how the Company applies the principles and complies with the provisions of the Code.

**Board of directors**
The Board is collectively responsible for promoting the success of the Company and for providing entrepreneurial leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It sets the Company's objectives and ensures that the necessary financial and human resources are in place to enable them to be met, and reviews management performance. The Board also sets the Company's values and standards and ensures that its obligations to shareholders and others are understood and met.

The Board has a schedule of matters reserved to it for its decision. This schedule is reviewed annually and includes approval of:

- Group strategy;
- annual budget and operating plans;
- major capital expenditure, acquisitions or divestments;
- annual and half-year financial results and interim management statements;
- safety and environmental policies;
- Board and Company Secretary appointments;
- senior management structure, responsibilities and succession plans;
- treasury policies;
- directors' conflicts of interest;
- system of internal control and risk management; and
- dividend policy.

Other responsibilities are delegated to Board Committees, which operate within defined terms of reference. Details of these are given on pages 66 to 68.

The directors' responsibilities for the preparation of financial statements are explained on page 83 and their statement on going concern is on page 58.

**Board and Committee meetings**
There were nine scheduled Board meetings during the year ended 31 March 2009, with two held at operating locations. Five additional meetings were held primarily to approve such matters as the publication of trading updates and changes to the composition of the Board. All directors also met off-site for a day to consider the Group's strategy.

Directors' attendance at the Board and Committee meetings that they were eligible to attend is shown in the table below.

| Director | Board | Audit Committee | Nominations Committee | Remuneration Committee |
|---|---|---|---|---|
| Elisabeth Airey | 13/14 | 5/5 | 11/12 | 11/11 |
| Richard Delbridge | 13/14 | 5/5 | 11/12 | 10/11 |
| Iain Ferguson | 13/14 | – | 10/12 | – |
| Sir Peter Gershon | 2/2 | – | 1/1 | 2/2 |
| Evert Henkes | 13/14 | 4/5 | 11/12 | 11/11 |
| Sir David Lees | 14/14 | – | 12/12 | 11/11 |
| Tim Lodge | 3/3 | – | – | – |
| Stanley Musesengwa | 4/4 | – | – | – |
| John Nicholas | 4/5 | – | – | – |
| Stuart Strathdee | 4/4 | – | – | – |
| Robert Walker | 13/14 | 5/5 | 11/12 | 11/11 |
| Dr Barry Zoumas | 13/14 | 4/5 | 11/12 | 9/11 |

In the few instances where a director is unable to attend a meeting, his or her comments on the briefing papers are given in advance to the relevant Chairman.

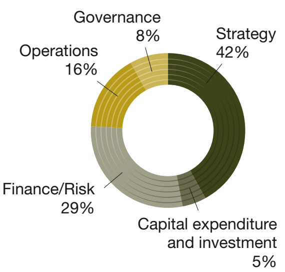
A rolling programme of items for discussion by the Board, which is constantly updated to reflect topical matters, has been in operation for a number of years. Board meetings are structured to allow open discussion and all directors participate in discussing strategy, trading, financial performance and risk management.

# Corporate governance
## continued

All substantive agenda items have comprehensive briefing papers, which are circulated five days before the meeting. Members of executive management attend Board meetings and make presentations regularly.

The chart below shows the approximate time the Board has spent discussing agenda items during the year, separated into broad categories.

**Board allocation of time**
Year ended 31 March 2009




### Board support

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board processes are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. There is also a formal procedure whereby, in the furtherance of their duties, directors can obtain independent professional advice, if necessary, at the Company's expense.

The Company maintains appropriate insurance cover in respect of legal proceedings and other claims against its directors.

### Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separated and their responsibilities are clearly established, set out in writing and agreed by the Board. The Chairman is responsible for the leadership and workings of the Board and ensuring its effectiveness, while the Chief Executive is responsible for the running of the business and implementing strategy and policy.

Other significant commitments of the Chairman, Sir David Lees, are set out in his biography on page 60. The Board is satisfied that they do not unduly restrict him from carrying out his duties as Chairman effectively.

### Board balance and independence

The Board currently comprises the Chairman, who has no executive responsibilities, two executive directors and six non-executive directors, including the Chairman-elect. The names and biographies of the directors are on pages 60 and 61.

With the exception of the Chairman, who is presumed under the Code not to be independent, the Board considers all the non-executive directors, including the Chairman-elect, to be independent.

Richard Delbridge is the Senior Independent Director and is available to shareholders if they have any issues or concerns.

The non-executive directors have a wide range of skills and knowledge and combine broad business and commercial experience with independent and objective judgement.

The terms and conditions of appointment of the non-executive directors can be inspected at the Company's registered office and will be available for inspection at the Annual General Meeting (AGM).

### Directors' conflicts of interest

A new statutory duty on directors to avoid conflicts of interest with the Company came into force on 1 October 2008. The Company's Articles of Association, which were amended in July 2008, permit directors to authorise conflicts of interest and the Board has adopted a policy and procedures for managing and, where appropriate, authorising, actual or potential conflicts of interest. Under those procedures, directors are required to declare all directorships or other appointments to organisations that are not part of the Group and which could result in actual or potential conflicts of interest, as well as other situations which could result in a potential conflict of interest.

The Board is required to review directors' actual or potential conflicts of interest at least annually. Directors are required to disclose proposed new appointments to the Chairman before taking them on, to ensure that any potential conflicts of interest can be identified and addressed appropriately. Any potential conflicts of interest in relation to proposed directors are considered by the Board prior to appointment.

### Re-election of directors

The Company's Articles of Association require all directors to seek re-election by shareholders at least once every three years. In addition, any directors appointed by the Board must stand for re-election at the first AGM following their appointment. Any non-executive directors who have served for more than nine years are subject to annual re-election.

The names of the directors retiring and standing for re-election at the 2009 AGM are set out on page 82. Further details are given in the letter from the Chairman to shareholders in the Notice of Meeting document.

**Information, induction and professional development**
The Chairman, assisted by the Company Secretary, is responsible for ensuring that the directors receive accurate, timely and clear information on all relevant matters.

On appointment to the Board, directors receive a comprehensive induction programme, which includes site visits and meetings with senior management across the Group. New directors receive background reading about the Group and details of Board procedures and other governance-related matters. Major shareholders have been offered the opportunity to meet new non-executive directors as part of the directors' induction programme.

Directors receive ongoing training and updates on relevant issues as appropriate, taking into account their individual qualifications and experience. A number of training sessions for directors were held outside the scheduled meetings on subjects of particular relevance during the year. The Company Secretary helps directors undertake any other professional development they consider necessary to assist them in carrying out their duties. Visits to external events or organisations are also arranged for the Board to help non-executive directors in particular to gain a deeper insight into the Group's operating environment.

**Performance evaluation**
During the year, the Chairman led an exercise to evaluate the effectiveness of the Board and its Committees.

As part of the process, the Chairman held one-to-one meetings with each director and the Company Secretary. The main themes and observations on the Board's effectiveness were summarised in a report to the Board. It concluded that the Board continued to operate in an effective manner but made a number of recommendations for improvements such as the timing of Committee meetings and further enhancements to the format and content of Board papers. Actions are being or will be taken to address the matters raised by the evaluation with progress monitored by the Company Secretary.

With regards to the performance of individual directors, the Chairman concluded that all directors continue to make an effective contribution to the Board's work, are well prepared and informed about issues they need to consider and that their commitment remains strong.

During the year, the non-executive directors met together without the Chairman, under the chairmanship of the Senior Independent Director, to appraise the Chairman's performance (the Senior Independent Director having first sought the views of the executive directors). In addition, the Chairman held a private meeting with the non-executive directors to appraise the Chief Executive's performance and to address any other matters the non-executive directors wished to raise.

The Audit, Nominations and Remuneration Committees also undertook an evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the respective Committee Chairmen. The reviews concluded that each Committee was operating effectively.

**Shareholder communications**
The Chief Executive, Group Finance Director and Director of Investor Relations maintain a regular programme of visits and presentations to major institutional shareholders both in the UK and overseas. The Chairman and Senior Independent Director participate in this programme as appropriate and the Chairman provides feedback to the Board on any matters raised with him by major shareholders. The Investor Relations Department provides the Board with a detailed report on discussions with major institutional shareholders each time it meets. All directors receive copies of analysts' reports on the Company and the Board is briefed periodically by the Company's financial advisers on investors' perceptions of Tate & Lyle and its investor relations activities.

The non-executive directors are encouraged to attend presentations to analysts and shareholders, and in particular the full year and interim results presentations.

The Company aims to present a balanced and clear assessment in all its reports to the public and to regulators. Key announcements, financial reports and other information about the Group can be found on the Company's website at www.tateandlyle.com.

Shareholders who attend the AGM are given the opportunity to put questions to the Board on matters relating to the Group's operations and performance. Approximately 250 shareholders attended the AGM in 2008. The level of proxy votes received in respect of each resolution, together with the level of abstentions, are announced to shareholders at the AGM, notified to the market and published on the Company's website.

# Corporate governance
continued

## Board Committees

There are three main Board Committees: Remuneration, Nominations and Audit. The terms of reference of each Committee, which are reviewed annually by the Board, are available on the Company's website, www.tateandlyle.com, or from the Company Secretariat at the registered office.

The Committees are supported by the services of the Company Secretariat and, if deemed necessary, can obtain independent professional advice at the Company's expense. The Company Secretary, Robert Gibber, is Secretary to each Board Committee.

### Remuneration Committee

The Committee comprises the independent non-executive directors and the Chairman of the Board. The members of the Committee during the year and up to the date of this report were:

Evert Henkes, Chairman
Elisabeth Airey
Richard Delbridge
Sir Peter Gershon (from 1 February 2009)
Sir David Lees
Robert Walker
Dr Barry Zoumas

The Committee meets as required, usually before each Board meeting, and has a formal calendar of items for consideration at each Committee meeting.

The Committee determines the remuneration packages of each executive director and the other members of the Group Executive Committee. This includes base salary, bonus, long-term incentives, benefits and terms of employment, including those upon which their service may be terminated. The Committee also determines the base salary, long-term incentives and benefits of certain other senior executives. In consultation with the Chief Executive, the Committee also determines the remuneration of the Chairman. The remuneration of non-executive directors is determined by the executive directors and the Chairman. More information on policy, practice and the workings of the Committee can be found in the directors' remuneration report on pages 84 to 96.

### Nominations Committee

The Committee comprises the non-executive directors and the Chief Executive under the chairmanship of the Chairman of the Board (except when the Committee is dealing with the appointment of a successor to the Chairman, when the Senior Independent Director chairs the Committee).

The members of the Committee during the year and up to the date of this report were:

Sir David Lees, Chairman
Elisabeth Airey
Richard Delbridge
Iain Ferguson
Sir Peter Gershon (from 1 February 2009)
Evert Henkes
Robert Walker
Dr Barry Zoumas

The main responsibilities of the Committee are to:

- review the size and composition of the Board, including succession planning, and the leadership needs of the Group generally;
- make recommendations on candidates for appointment as executive and non-executive directors and as Company Secretary, taking into account the balance of the Board and the required blend of skills and experience;
- make recommendations on the processes for the appointment of the Chairman of the Board;
- review annually the performance of each member of the Group Executive Committee and to report on that review to the Remuneration Committee; and
- make recommendations on the nomination of the Senior Independent Director, the reappointment of non-executive directors upon the expiry of their term of office, and the proposed re-election of directors retiring by rotation at the AGM.

When recruiting non-executive directors, the Committee considers the particular skills, knowledge and experience that would most benefit the Board, and external recruitment consultants are engaged to assist in the recruitment process.

During the year, the Senior Independent Director, Richard Delbridge, led the search for a successor to the Chairman, with the help of external consultants. The Chairman did not chair the Nominations Committee meetings when the issue of his successor was being discussed. As a result, the Committee recommended the appointment of Sir Peter Gershon as a non-executive director and Chairman-elect. Sir Peter was appointed by the Board with effect from 1 February 2009 and his biography is set out on page 60.

With the help of external recruitment consultants and following a competitive selection process, the Committee also recommended that Tim Lodge be appointed Group Finance Director from 4 December 2008. The recommendation was approved by the Board.

Following the end of the financial year and after a competitive selection process which was undertaken with the assistance of external recruitment consultants, the Committee recommended that Javed Ahmed be appointed Chief Executive. The recommendation was approved by the Board. As announced on 19 May 2009, Javed Ahmed will join the Company and the Board by 15 November 2009.

**Audit Committee**
The Committee consists solely of independent non-executive directors. Elisabeth Airey succeeded Richard Delbridge as Chairman of the Audit Committee following the AGM on 23 July 2008.

The members of the Committee during the year and up to the date of this report were:

Elisabeth Airey, Chairman
Richard Delbridge
Sir Peter Gershon (from 1 February 2009)
Evert Henkes
Robert Walker
Dr Barry Zoumas

All the Committee members have extensive management experience in large international organisations and the Chairman, Elisabeth Airey, is an investment banker and former finance director of Monument Oil and Gas plc.

The Committee meets at least four times each year. The Chairman of the Company, Chief Executive, Group Finance Director, Head of Global Risk and Assurance (who leads the internal audit function) and other members of the senior management team (as invited by the Committee), together with the external auditors, usually attend meetings. The minutes of each meeting are circulated to the Board. Both the Head of Global Risk and Assurance and the external auditors have direct access to, and meet regularly with, the Chairman of the Committee outside formal Committee meetings.

The Committee maintains a formal calendar of items for consideration at each meeting and within the annual audit cycle to ensure that its work is in line with the requirements of the Code.

The main responsibilities of the Committee are to:

- monitor the integrity of the annual and half-year financial statements and any formal announcements relating to the Company's financial performance, paying particular attention to significant reporting judgements contained therein, including critical accounting policies and practices;
- review the Group's internal financial controls and its internal control and risk management systems;
- review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- make recommendations for submission to shareholders for their approval in general meeting in relation to the appointment, reappointment and removal of the external auditors and to approve their remuneration and terms of engagement;
- monitor and review the effectiveness of the internal audit function;
- develop and implement a policy on the engagement of the external auditors to supply non-audit services; and
- review arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters.

During the year and up to the date of this annual report, the Audit Committee discharged its responsibilities as set out in its terms of reference by undertaking the following work:

- meeting prior to the Board meetings at which the annual report and financial statements, the half-year report and interim management statements were approved. In doing so, the Committee reviewed significant accounting policies, financial reporting issues and judgements and reports from the external auditors;
- reviewing the effectiveness of the external audit process, the external auditors' strategy and plan for the audit, and the qualifications, expertise, resources and independence of the external auditors;
- agreeing the terms of engagement and fee of the external auditors for the audit and recommending to the Board that PricewaterhouseCoopers LLP be proposed to shareholders at the AGM for reappointment as external auditors to the Company;
- reviewing the policy on auditor independence and the basis of the provision of non-audit services by the external auditors;
- meeting with representatives of the external auditors in the USA (while on a scheduled site visit);
- receiving and considering regular reports from the Head of Global Risk and Assurance on the Group's risk management system, findings from reviews of internal financial controls, and the remit, organisation, annual plan and resources of the internal audit function;
- undertaking a review of the effectiveness of the internal audit function. The review in 2009 was generally positive but some improvements to processes and practices were identified and are being implemented;

# Corporate governance
## continued

- reviewing the Committee's terms of reference and its effectiveness, and recommending changes to the Board as a result of this review. The review in 2009 concluded that no substantive amendments to the terms of reference were required and that the Committee had fulfilled its role and responsibilities appropriately;
- reviewing the annual report disclosure items relevant to the Committee, including the going concern statement and the reports on risk management and internal control;
- reviewing the potential impact on the Group's financial statements of significant corporate governance and accounting matters;
- reviewing the findings of the external auditors, their management letters on accounting procedures and internal financial controls and audit representation letters;
- meeting separately with the Chief Executive, Group Finance Director, external auditors and the Head of Global Risk and Assurance in order to understand any concerns relevant to the Audit Committee that they might have;
- reviewing procedures under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters; and
- reviewing an annual report on the Group's systems of internal control and its effectiveness, and reporting the results of the review to the Board.

The Committee operates a policy to safeguard the objectivity and independence of the external auditors. This policy sets out certain disclosure requirements by the external auditors to the Committee; restrictions on the employment of the external auditors' former employees; partner rotation; and procedures for the approval of non-audit services by the external auditors. During the year, the Committee reviewed the processes that PricewaterhouseCoopers LLP have in place to safeguard their independence and received a letter from them confirming that, in their opinion, they remained independent.

The procedure for the provision of non-audit related services by the external auditors is governed by a schedule appended to the policy on auditor independence which states the services that the external auditors are not permitted to provide and those that the external auditors may provide, together with the appropriate approvals processes.

Each time it meets, the Committee receives a report setting out the non-audit services provided by the external auditors during the year and the fees charged. Details of the amounts paid to the external auditors are given in Note 7 of the financial statements. Having undertaken a review of the non-audit related services provided during the year, the Committee is satisfied that these services did not prejudice the external auditors' independence.

**Risk management**

The Board of Directors has overall responsibility for the Group's system of internal control and risk management. The schedule of matters reserved to the Board ensures that the directors control, among other matters, all significant strategic, financial and organisational issues.

The Group's enterprise-wide risk management and reporting process helps Group management to identify, assess and mitigate risk. The process involves the identification and prioritisation of key risks through an ongoing programme of workshops, facilitated by the risk management function, held around the Group. The risks identified cascade up through functional and divisional levels to the Group Executive Committee. This culminates in the identification of the Group's key business, financial, operational and compliance risks with associated action plans and controls to mitigate them where possible (and to the extent deemed appropriate taking account of costs and benefits).

As part of this process, senior executive management confirms to the Audit Committee once a year that these key risks are being managed appropriately within their operations, and that controls have been examined and are effective. Responsibility for managing each key risk and the associated mitigating controls is allocated to an individual executive within each division. Changes in the status of the key risks and changes to the risk matrix are reported regularly to executive management and to the Board.

During the year ended 31 March 2009, the risk assessment process was reviewed and changes were made to the process across the Group. The enhanced process broadly follows the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Framework. The COSO framework provides a process to manage the risk of failure to achieve business objectives and assurance against material loss or misstatement. A series of risk assessments were carried out which culminated in a workshop with the Group Executive Committee at which the specific Group risks and the key risks from each business area were considered. The output, a Group Risk Assessment, was subsequently reviewed by the Board.

## Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the system and the maintenance of effective internal control in each of the Group's businesses. These systems of internal control are designed to manage rather than eliminate risk, and can provide only reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws or regulations.

All the material joint ventures that the Group is party to currently follow the Group's formal systems of internal control, and their internal control procedures are regularly reviewed by the internal audit function. The systems of internal control are based on a process of identifying, evaluating and managing risks and include the risk management processes set out above. These accord with the guidance in the Turnbull Report and were in place throughout the year and up to the date of the signing of this annual report. The key risks that might hinder the achievement of the Group's business objectives are managed, controlled and monitored by the following processes:

- the Group's businesses operate under mandatory written policies and procedural manuals to provide an appropriate control environment. These set out the Group's commitment to competence, integrity and ethical values. The policies are reviewed by the Board annually and changes are made as appropriate to enhance existing control procedures;
- key strategic risks are addressed through the Group's process of preparation of plans by each operating unit and the compilation of these risks in the Group's operating plan;
- there is a comprehensive annual planning and financial reporting system comparing results with plan and the previous year on a monthly and cumulative basis. The process of planning, budgeting and making short-term forecasts, which is subject to an ongoing review, should provide early warning of potential financial risks. Revised forecasts for the year are produced at least four times a year;
- the Chief Executive and Group Finance Director undertake regular financial and operational reviews of the major operating units within the Group;
- the Chief Executive and the Group Finance Director submit written reports to each Board meeting, which include consideration of changing threats and opportunities within the business. The standard Board review of investments and disposals includes identification of major risks that could affect the outcome of each project, with a sensitivity analysis;
- the Company has defined procedures for the authorisation and project management of capital expenditure and investment, granting of guarantees, trading and hedging of currencies and commodities and use of treasury products; and
- formal annual reports and presentations are received by the Board on certain areas of special risk. These include insurance, treasury management, commodity trading, pensions, safety and environmental issues.

The Audit Committee periodically reviews the effectiveness of the system of internal control through reports from the external auditors and the internal audit function. The internal audit function follows a planned programme of reviews that are aligned to the risks existing in the Group's businesses. It has the authority to review any relevant aspect of the business.

The Board, with assistance of the Audit Committee, has conducted an annual assessment of the effectiveness of the systems of risk management and internal control during the financial year and up to the date of this annual report. The review, which is co-ordinated by the internal audit function, includes a Group-wide certification that appropriate internal controls are in place to facilitate the Board's review of effectiveness. The internal audit function monitors and selectively checks the results of this exercise, ensuring that the representations made are consistent with the results of the department's work during the year. Where weaknesses have been identified, plans for correcting them are also reported. The results of this exercise are summarised for the Audit Committee and the Board. In the event that any significant losses were to be incurred during the year as a result of the failure of controls, a detailed analysis would be provided to the Audit Committee and the Board. The Board confirms that no significant weaknesses were identified in relation to the review conducted during the year and accordingly no remedial action is required.

# Corporate social responsibility

## For Tate & Lyle, corporate social responsibility equates to applying our four core values – safety, integrity, knowledge and innovation – to the way we run our business. This means continuous progress in achieving the highest standards of safety; considering the environmental impact of every aspect of what we do; and treating our employees, suppliers and the communities in which we work as long-term partners.

Putting these concerns at the centre of our business requires proactive management at every level within the Group. The Board reviews Tate & Lyle's policies and performance annually, and the Chief Executive is the Board member accountable for all aspects of corporate social responsibility.

**Business Code of Conduct**
Our Business Code of Conduct (the Code of Conduct) governs our approach to corporate social responsibility. The Code of Conduct applies unconditionally to all parts of the wholly-owned Group, and we also aim to apply the Code of Conduct in those operations in which we have a 50% stake or more. Where we have a minority stake, we encourage our partners to adopt the Code of Conduct.

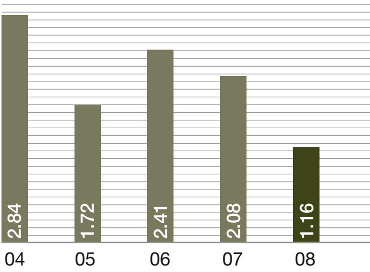
A copy of the Code of Conduct can be found on our website, www.tateandlyle.com. The Code of Conduct sets out how we do business, explains what stakeholders can expect from us and what we require from our employees and look for in our business partners. Doing business in a responsible manner is not only in our long-term interests, but is in the interests of all our stakeholders and of the environment. This means operating to high social, ethical and environmental standards in all circumstances.

**Safety** Tate & Lyle has no priority higher than safety, which we believe is fundamental to running a successful business. This means ensuring safe and healthy conditions for everyone at our sites: employees, contractors and visitors. By reporting, recognising and rewarding safety performance, we aim to ensure that all our operations focus on continuous improvement.

**Overview**
Overall, our employee safety performance showed good progress in 2008, particularly in reducing the severity rate. During another year of heavy construction activity, we were pleased that our overall contractor safety index also improved significantly, although our lost-time and recordable injury rates for contractors both worsened.

***Employee safety results for calendar year 2008***
Most locations equalled or improved on their 2007 performance, including 20 that reported no lost-time accidents and 10 that reported no recordable injuries for the year. Overall, we were pleased that our results improved considerably compared with calendar year 2007 with all our measures showing an improved performance other than the lost-time accident rate which worsened slightly.

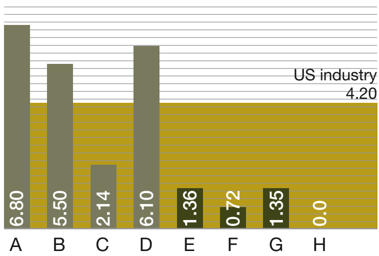
**Group safety index**




The smaller the index, the better the performance.

Our target is zero for every Tate & Lyle operation.

**Benchmark safety**
recordable injury rate[1]



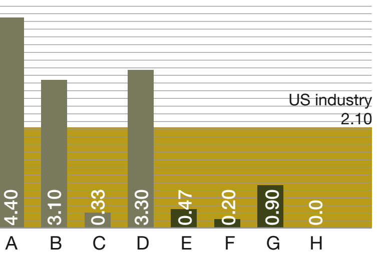

A US food manufacturing
B US grain milling
C US corn refiners
D US sugar industry

Tate & Lyle
E Food & Industrial Ingredients, Americas
F Food & Industrial Ingredients, Europe
G Sugars
H Sucralose

1 Number of injuries per 200,000 employee hours requiring more than first aid

US industry statistics as reported by the US Bureau of Labor Statistics

**Benchmarking safety**
lost-time accident rate[2]




A US food manufacturing
B US grain milling
C US corn refiners
D US sugar industry

Tate & Lyle
E Food & Industrial Ingredients, Americas
F Food & Industrial Ingredients, Europe
G Sugars
H Sucralose

2 Rate of accidents sufficiently serious to result in lost workdays or restricted work activities

US industry statistics as reported by the US Bureau of Labor Statistics

- **Group safety index** (weighted average of injuries sustained in the workplace across Tate & Lyle, with more severe incidents having greater impact) improved by 44.2%;
- **Recordable injury rate** (injury requiring treatment beyond first aid) improved by 6.6%;
- **Lost-time accident rate** (recordable injury sufficiently severe to result in lost work days or to restrict the employee's ability to perform his/her job) worsened by 4.6%; and
- **Severity rate** (number of work days lost due to injuries per 200,000 employee hours) improved by 63.4%.

*Benchmarking results*
The USA and Europe compile safety statistics differently and therefore comparisons are difficult. However, we can compare the performance of each of our divisions with results from the US Bureau of Labor Statistics. The most recent results available from the Bureau are from 2007 with the exception of the US corn refiners whose results are from 2008. Again this year, our divisions are outperforming the average reported standard for their peers in their respective sectors and in the US private sector as a whole.

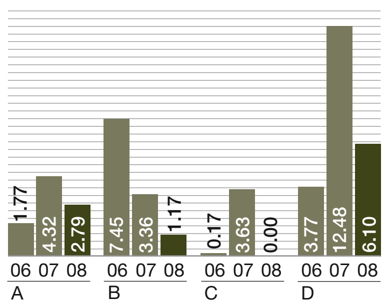
*Contractor safety results for calendar year 2008*
During another year of heavy construction activity, we made significant efforts to improve our contractor safety performance. Overall our contractor safety index rates improved significantly, with all divisions reporting improvements on the previous year. In particular, the severity rate improved considerably, although both our lost-time accident and recordable injury rates worsened this year. We are pleased, however, that our contractor safety statistics continue to compare favourably with those reported by the US Bureau of Labor Statistics.

Compared with the 2007 calendar year results:
- Contractor safety index improved by 28.6%;
- Recordable injury rate worsened by 14.9%;
- Lost-time accident rate worsened by 37.6%; and
- Severity rate improved by 44.2%.

*Benchmarking results*
Contractor safety continues to compare well with the US Bureau of Labor Statistics 2007 (the most recent data available). The Bureau reports the overall recordable injury rate per 200,000 employee hours for US contractors to be 5.40 against 1.92 at Tate & Lyle, and the overall lost-time accident rate to be 2.80 against our 0.76.

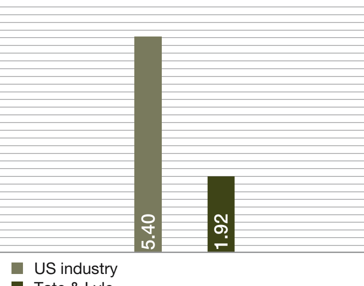
# Corporate social responsibility
## continued

**Contractor safety index**




A Food & Industrial Ingredients, Americas
B Food & Industrial Ingredients, Europe
C Sucralose
D Sugars

**Benchmarking contractor safety**
recordable injury rate[1]

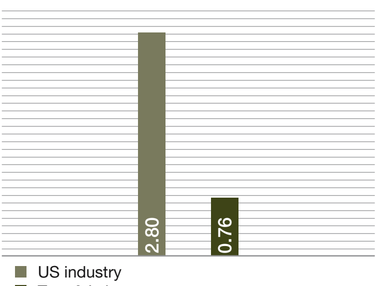



US industry
Tate & Lyle

1 Number of injuries per 200,000 employee hours requiring more than first aid

US industry statistics as reported by the US Bureau of Labor Statistics

**Benchmarking contractor safety**
lost-time accident rate[2]




US industry
Tate & Lyle

2 Rate of accidents sufficiently serious to result in lost workdays or restricted work activities

US industry statistics as reported by the US Bureau of Labor Statistics

### Managing safety

Maintaining a consistently safe and healthy workplace for our people requires effective, proactive management. We operate network safety committees in the Americas and Europe that share knowledge and experience between plants with the aim of ensuring consistently high standards of safety across Tate & Lyle. The core elements of our approach to safety are:

- emphasis on the importance of behaviour by encouraging a culture of safety at all locations;
- improving communications and sharing best practice throughout the Group;
- the auditing of safety and loss control programmes; and
- the active involvement of senior executives in auditing and promoting safety.

*Projects and activities*

The driving force behind our performance continues to be our emphasis on behaviour, networking and sharing best practice, auditing and the active involvement of senior management to promote and audit safety programmes. Our network safety committees focused on a number of activities this year, including:

- Group-wide training and behavioural auditing;
- continuing to develop policies and procedures; and
- recognising and rewarding outstanding safety performance through award schemes and by marking significant milestones, both for employees and contractors.

*Awards*

To qualify for entry to our ‘World Class Safety Excellence’ awards programme, plants must:

- operate the entire year without lost time;
- have active employee participation in their safety programme;
- have an active auditing programme; and
- demonstrate adherence to Tate & Lyle’s standards during executive, management and network audits.

2008 winners were:

- Large plant (over 250,000 employee hours per year): Amylum Nisasta (Turkey)
- Small plant (fewer than 250,000 employee hours per year): Dayton, Ohio (US)
- Most improved safety performance
  - Europe: Amylum Nisasta (Turkey)
  - Americas: Jurong Island (Singapore, part of Sucralose division).

### Outlook

We will concentrate on developing global safety policies and procedures that can be easily shared and referenced by all Tate & Lyle sites, and also audited consistently. We will also review our benchmarking and accident reporting procedures to ensure that accurate data and comparisons can continue to be made across our business units and to related outside industries. Contractor safety training and physical and behavioural auditing will continue to be key activities at our sites.

**Environment**
Tate & Lyle believes that companies must take steps to manage their impact on the natural environment. As a consequence, we are committed to conducting our business in a manner that is sensitive to the environmental needs of the communities within which we operate. We aim to achieve this by upholding defined environmental standards in all of our operations, and we actively encourage our business partners to demonstrate similar levels of commitment.

### Overview

All our locations fully integrate environmental management into their operational systems and procedures. The Board reviews environmental performance and the policy annually. Managing our impacts to produce a more positive result is good for the environment and also brings economic benefits to Tate & Lyle. When reviewing our environmental footprint, it has always been Tate & Lyle's policy to focus particularly on those impacts which have most effect on the environment and over which we have direct control. Our three most significant environmental impacts are, in order of magnitude, energy use, water use and non-hazardous solid waste production.

Energy use is by far our most significant impact, and we therefore give it the highest priority. Our particular focus in 2008 was to minimise unit energy consumption during start-up and expansion activities across the Group, and the successful implementation of a wide range of environment-related capital expenditure projects in many of our plants.

*Environmental policy and mission statement*
Tate & Lyle's environmental policy applies to all parts of the Group. A copy of the policy can be found on our website, www.tateandlyle.com. The principles of the policy are summarised in an environmental mission statement which covers the following points:

- as a minimum, we comply with all applicable laws and regulations, and we exceed local requirements or legislation where commercially feasible;
- we make continuous efforts to prevent pollution and improve environmental performance throughout all our activities;
- we seek to minimise our use of energy, materials and natural resources;
- we strive to develop renewable sources for energy and materials used in our processes;
- we assess environmental risks associated with existing and new activities (or when decommissioning facilities), and establish controls to ensure that any risks remain at an acceptable level;
- we develop renewable products for our customers to help them reduce their impact on the natural environment;
- we encourage all employees to respect and have concern for the environment through procedures and training; and
- we have clearly defined and communicated procedures as part of our management systems for achieving these commitments.

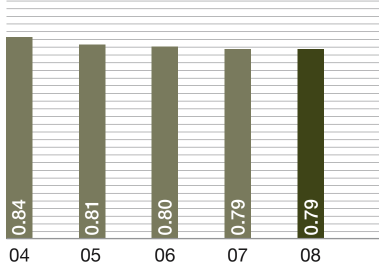
### Calendar year 2008 results

We focus our measurement and our improvement efforts on the areas that have most environmental and financial impact. Compared with 2007 results:

- Energy consumption remained the same
- Water consumption increased by 3.7%
- Non-hazardous solid waste production increased by 62%

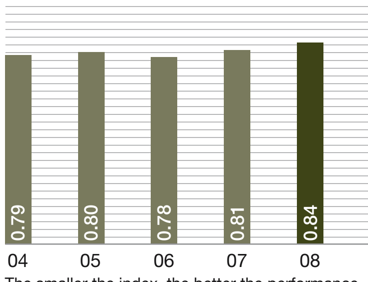
Our energy consumption in 2008 remained the same and, therefore, we did not meet our target of a per unit 3% reduction. Increased energy usage in our Americas and European ingredients businesses due to construction and expansion activities was offset by better performances in our Sugars and Sucralose plants.

**Group energy index**



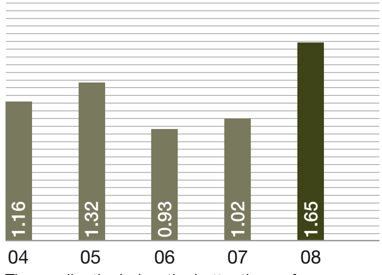

The smaller the index, the better the performance

**Group water index**




The smaller the index, the better the performance

**Group non-hazardous solid waste index**




The smaller the index, the better the performance

# Corporate social responsibility
## continued

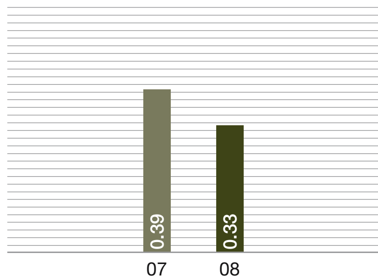
Both the Group water and non-hazardous solid waste production indices increased during the year. Improvements to both these indices are important targets for 2009, not only because of the environmental impacts, but also because improvements offer cost savings. Every 1% improvement in our energy index would save an estimated £2.3 million. An equivalent improvement in the water index would save £120,000 and, in the non-hazardous solid waste index, £14,000. These savings are per annum at 2008 input prices.

*Carbon footprint*

In 2007, with the help of environmental consultancy URS, we developed a carbon footprint model to measure the impact of our operations on the environment. We began by measuring the carbon footprint of our UK cane sugar refining business from sugar cane field to supermarket shelf. This is known as secondary carbon footprint data, as it measures indirect as well as direct emissions from the entire lifecycle of a product or service.

We then rolled out a model to measure the primary carbon footprint of our large sites across all our business divisions. A primary carbon footprint measures the carbon associated with production at a specific site, covering emissions generated through the combustion of fossil fuels and transport. The primary footprint is the most applicable measure for a business-to-business company, since the ingredients produced are then used in a wide range of other goods.

**Carbon footprint[1]**
Tonnes of $CO_2$ per tonne of production




1 The primary carbon footprint of Tate & Lyle's large sites

**Primary carbon footprint**

Tate & Lyle's primary carbon footprint in the 2008 calendar year across all its large sites was 0.33 tonnes of $CO_2$ per tonne of production. This represents a 15% reduction from 0.39 tonnes in the 2007 calendar year.

Because this is a relatively new area of analysis, it is difficult at this stage to benchmark our performance against others. However, we expect that, by calculating our carbon footprint, we will be much better able to manage our overall impact on the environment as well as using it to benchmark our own performance year on year.

**Secondary footprint – cane sugar**

Raw cane sugar milling is almost carbon neutral. Cane grows in the field, waste fibre from the cane powers the factory and the cane regrows each year, usually up to five times without the need for replanting. It is then transported to our European refineries by ship. Our current secondary carbon footprint is around 0.43 tonnes of $CO_2$ per one tonne of sugar produced, which means that the carbon footprint of a bag of sugar made from cane sugar is currently about half that of beet sugar. The carbon footprint of cane sugar produced at our London refinery will be reduced by more than 20% when our new biomass boiler comes on stream in 2009.

**Investing in renewable energy sources**

Reducing energy consumption gets more difficult each year as we produce more value added products, which typically use more energy than producing our traditional products. Energy is a particular concern for us, because not only is it a big contributor to our overall carbon footprint, but it is one of the most significant costs in our business.

To help reduce energy costs and to improve our environmental performance, we have developed proprietary technology to use renewable energy sources (biomass) in our plants. In 2009, our new £20 million biomass boiler at our London refinery will come on stream. This boiler will supply 70% of the refinery's energy requirements. Similar technology will be used at our new corn wet mill at Fort Dodge, Iowa, when it is completed and opened.

*FDF's Five-fold Environmental Ambition*
In 2008, as part of the UK Food and Drink Federation's (FDF) Five-fold Environmental Ambition, Tate & Lyle signed up to two major environmental initiatives. In January 2008, Tate & Lyle was one of 20 leading food and drink companies to agree to a UK industry-wide commitment to improve water efficiency and reduce water use. This agreement was jointly developed by the FDF and resource efficiency experts Envirowise. Then, in July 2008, Tate & Lyle was one of 40 companies to sign up to the FDF's environmental 'Checklist and Clause for Greener Food Transport' which encourages companies to achieve fewer and friendlier food miles.

*Violation, abatement and compliance orders*
The vast majority of our operations completed 2008 without incident. Where Tate & Lyle inadvertently contravened regulations, largely to do with emission levels, we reacted immediately to correct the problems.

*Managing environmental impacts*
Managing environmental impacts is very important at Tate & Lyle. Environmental risks are included in the Group-wide risk management process, and are reviewed and assessed regularly. For more information, see 'External environment and risk management' on page 27 and 'Corporate Governance' on page 68.

*Measuring data*
We collect detailed data and report results from each operating unit quarterly, using a comprehensive system that has been validated by our internal audit function. We then normalise the data to reflect the amount of product manufactured. This protects the commercial sensitivities of the data while allowing us to report publicly on our progress, and make comparisons between years. The results are then aggregated to create a single set of indices for the Group, adjusted to take account of acquisitions and disposals.

*Management systems*
Every operating unit has an environmental management system. Each unit is required to assess its environmental impact and develop an improvement plan based on identified areas of priority, focus and opportunity, in line with the Group's overall environmental management strategy. Capital projects are assessed for their environmental impact, and we investigate whether there are more environmentally sound ways of achieving our aims.

Each operating unit has incident, emergency and contingency plans. These are regularly updated to meet new conditions and requirements. We have crisis management procedures to provide an effective response in case of incident or emergency, including escalation to the Group Crisis Management Team when appropriate.

*Training*
Employees receive regular training on managing environmental impacts and changes in legislation, so that they are always aware of relevant issues. Many operating units have environmental management committees that meet regularly to discuss progress.

*Customers and suppliers*
We work closely with our customers to ensure our systems meet their requirements. We brief all contractors on key environmental issues to make sure that we and they are managing our environmental impact effectively.

*Outlook*
Reducing per unit energy consumption and carbon emissions will continue to be our major environmental challenges in the year ahead. By continuing to invest in reducing consumption per unit, exploring alternative energy sources and technology, and encouraging a culture of concern for environmental issues at all our plants, we aim both to control costs and improve our impact on the environment.

**Reducing road miles**
Our target is to reduce road miles in the UK by 2.1 million miles by the end of 2009, as part of the UK Food and Drink Federation's aim to reduce the impact of food transport by 20% by 2012. A significant user of road transport, we have already moved bulk sugar distribution between our London refinery and Glasgow from road to rail freight, saving over 1.6 million road miles per year.

# Corporate social responsibility
continued

## Employee health and wellbeing

At Tate & Lyle, we aim to lead the way in employee health. Programmes will differ across the Group according to local needs, but all are based on the principle that the Company has a role to play in helping employees improve their health by providing information, advice and other support on health and wellbeing.

### Calendar year 2008 highlights

*UK*

Tate & Lyle's nurse-led occupational health programme emphasises education and prevention and has often been referred to as a model for other businesses and public sector organisations in the UK. Key initiatives include educating employees in health and wellbeing, and providing vocational rehabilitation as an alternative to sickness absence certificates, as well as health promotion activities, an occupational health clinic, advice on healthy eating, and counselling services.

We also share elements of our programme with partners. For example, we have helped two community partners with absence management training and advice, and we host regular visits from groups of trainee GPs and doctors from Occupational Health Diploma courses to help their understanding of occupational health in a factory environment. We also offer work experience for trainee occupational health nurses from South Bank and Brunel Universities.

We were proud to receive external recognition of the quality and benefits of our programme, winning Gold in the UK Food and Drink Federation's Community Partnerships Awards for our Rehabilitation & Absence Management Programme.

*Europe*

Many of our mainland Europe plants offer similar health programmes to the UK. These include: Company-sponsored fitness programmes; health and wellbeing awareness campaigns; healthy menu options in employee restaurants and annual health and fitness check-ups.

*US*

Tate & Lyle continues to provide programmes and tools to help employees become better informed consumers of their own healthcare services, as well as encouraging them to adopt healthy lifestyles. Some examples of our programmes include:

- **'Blue Points' system:** we offer this web-based system to all employees via our healthcare provider. It provides a platform for employees to initiate and track healthy behaviours. Employees earn points for meeting certain health targets, which can be redeemed online for health-related items such as yoga mats and gym bags.
- **Health risk self-assessment:** we encourage employees to complete this online self-assessment, which is then reviewed by medical experts from our healthcare provider. These experts then give feedback and recommendations to employees.
- **Health and fitness:** many plants offer exercise facilities or Company-sponsored fitness programmes.
- **Stopping smoking/weight management:** employees enrolled in the Blue Cross Blue Shield health plan have access to various programmes either to help stop smoking or to manage their weight.

### Outlook

Our long-term goal continues to be to raise the standards of employee health and wellbeing throughout Tate & Lyle, through sharing best practice and ideas across the Company and with healthcare partners. A particular focus for 2009 will be to make further improvements to our successful UK active back care management programme.

**Commercial partners/suppliers**
Good, long-term relationships with our partners and suppliers are very important at Tate & Lyle. We have a consistent, Group-wide approach, based on our Code of Conduct, which covers purchasing strategies at global, regional and local levels. Supply chain ethics are important to us, and we are committed to sharing best practice and improving standards amongst suppliers.

**Raw material suppliers**
Growers and producers of corn and sugar cane, the raw materials we use to make our products, are our biggest suppliers, and we have developed long-standing and mutually beneficial relationships with them over many years. We apply rigorous standards to our raw materials suppliers, and survey many of them on their ethical commitment. We work closely with them to ensure compliance with our needs, implementing traceability and ensuring that our customers' requirements are fully met.

*Sugar cane*
Cane sugar suppliers are key to the supply chains for our EU sugar refineries. These are typically countries that have preferential access to the EU sugar market, implemented through the EU Sugar Regime. These suppliers include those that we have long-standing relationships with, such as the African, Caribbean and Pacific (ACP) countries, as well as new suppliers resulting from recent changes to EU legislation, such as in the Lao People's Democratic Republic.

In Vietnam, our suppliers are the sugar cane growers themselves. Meanwhile, in our molasses business our suppliers can be the same businesses that supply our sugar refineries, or suppliers from other parts of the world.

*Auditing the supply chain*
Our auditing programme, introduced in 2007, is designed to evaluate the social, ethical and environmental performance of our suppliers and to identify any shortcomings. Where these are found, we work with that supplier to encourage the necessary improvement. We do not purchase our raw sugar from farmers or sugar mills, but from contracting parties which are government organisations, co-operatives etc. Auditing the contract party alone will not necessarily determine or improve conditions in the mills supplying sugar for our refining operations, or of the farmers themselves. We therefore audit our second tier suppliers including with some random sampling of farmers.

To ensure transparency, our audit programme is run by Cert ID, an internationally recognised European auditing body, which assesses our suppliers against a range of social, ethical and sustainable criteria. During 2009 we will continue to use the process to address any outstanding issues that arise from the audits, and ensure that the process continues to help our suppliers improve. Our aim is to have audited all suppliers at least once by the end of 2010.

*Fairtrade*
Tate & Lyle's ongoing commitment to Fairtrade saw small-scale farmers in Belize receive nearly US$4 million in Fairtrade premiums in 2008. The investment of this premium has been divided between production, education and social programmes that have had a direct benefit to the 6,000 producers and their families. Looking forward, there are plans to invest in longer-term projects to develop the quality of the sugar cane as well as the quantity of cane produced per acre.

*Better Sugarcane Initiative*
Tate & Lyle continues to work with Non Governmental Organisations (NGOs), growers, unions, biofuels companies, food manufacturers and other end users to improve the social impact of sugar cane worldwide through the Better Sugarcane Initiative (BSI).

Tate & Lyle chaired the BSI in 2008, which is developing a practical standard that will make a real global contribution towards reducing the environmental impact of sugar cane production, the social aspects associated with it and the products – mainly ethanol and sugar – derived from it.

*Corn*
We purchase around 2% of the US corn crop each year. The long-term relationships we have built up over the years with the family-owned grain businesses, local farmers and other commercial partners who provide us with corn ensure we have the supplies we need for our corn wet mills. See page 16 in the 'Sustainable Sourcing' section for more details.

*Sustainable procurement*
Aside from our raw material suppliers, we continue to review procurement to look at how we can encompass sustainability more fully in our strategies.

**Outlook**
We aim to continue to improve standards in our supply chain through developing our work on supply chain ethics, risk management and sustainable procurement, and by working increasingly closely with suppliers to share best practice on a range of issues. We will continue to develop our supplier audit programme to ensure consistently high standards across the Group.

# Corporate social responsibility
continued

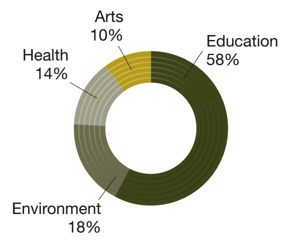
**Communities**
Tate & Lyle aims to play a positive role in all the communities in which we operate. Over the years we have developed a Group-wide community involvement policy that forms one of the core components underpinning our ethical behaviour. Our programme involves building long-term relationships with local partners to deliver a shared objective: establishing strong, safe and healthy communities by investing time and resources into projects that directly address local needs.

## Overview
Our community partnerships are well supported by employees, many of whom take part in our programmes. Tate & Lyle's community involvement benefits our employees by enhancing their own local community, offering significant personal development opportunities and making Tate & Lyle a company for which they are proud to work.

Each year we support around 300 organisations, ranging from long-established charities to fledgling community organisations. Community support takes many forms, depending on the needs of the organisation, and includes funding, employee volunteering, consultancy, donation of products and equipment and, for selected partners, free use of the Company's warehousing, office accommodation and meeting room facilities.

## Charitable donations
Our Corporate Donations Committee oversees community policy throughout the world. Our aims are to select projects that target local needs and deliver the most positive impact, and to ensure that ultimately our community involvement work reflects our broader responsibilities as a company. Our guidelines for funding and support are:
- Education – 50%;
- Environment – 25%;
- Health – 15%; and
- Arts – 10%.

**Actual community spend by allocation**
Year ended 31 March 2009




In the financial year ended 31 March 2009, Tate & Lyle's total worldwide charitable donations were £674,000, up from £642,000 in the previous year, while our total global pro bono contribution in goods and services is estimated to have been £221,000, down from £254,000 in the previous year. We support many initiatives and local organisations involved in community regeneration all around the world. Listed here is a selection from each region in 2008.

*UK*
- **Community Links:** a local charity working to regenerate the area of Newham in East London.
- **Community Food Enterprise:** a social food outlet improving community access to fresh fruit and vegetables in the East London area.
- **Richard House Children's Hospice:** London's first hospice for terminally ill children, which we have supported since it was founded in 1996.
- **East London Business Alliance:** a regeneration agency for East London which connects business to local people, alongside public and community partners, to enable social, economic and infrastructure change.

*Americas*
- **United Way:** employees from across the USA donate through the payroll to this organisation which gives money to local causes.
- **Education:** Tate & Lyle gives regular support to a number of educational institutions including Brush College, Associated Colleges of Illinois, and Millikin and Purdue Universities.
- **Boys & Girls Club:** sponsorship of a Decatur programme designed to inspire and enable young people to realise their full potential.

*Vietnam*
Our sugar business in Vietnam, Nghe An Tate & Lyle (NAT&L), supports the following programmes:
- **Roads:** provincial and communal road maintenance in the NAT&L cane catchment area.
- **Schools:** supplying text books and school stationery for under-privileged children and funding for outstanding students in primary, middle and high school.
- **University scholarships:** funding for outstanding students studying agriculture disciplines.
- **Housing:** contributing funds towards housing units for farmers and their families.

**Employee volunteering**
Tate & Lyle employees around the world make huge efforts to support their local communities. Their involvement is vital to maintain the long-term good relationships we have developed with these communities; volunteering also brings skills and experience from the workplace into the community that corporate funding alone cannot achieve. Several of the organisations we support have been partners for over a decade.

Volunteering also brings benefits to Tate & Lyle. Employees tell us that they benefit hugely from community work, which helps them develop their skills and become more rounded as individuals. A strong volunteer network is vital to the success of our community involvement programme, and developing that network across Tate & Lyle is an important ongoing aim. Here we highlight some of our employees' volunteering activities from around the world.

*UK*
- **Educational visits:** 1,000 students and 100 teachers visited Thames Refinery, Plaistow and Sugar Quay during 50 curriculum-based visits.
- **Gifted & Talented:** Tate & Lyle continues to support the UK Government's programme for gifted and talented children including, for secondary school students, a 'Science Challenge' and for primary school children a maths workshop.

*US*
- **Supporting universities:** Tate & Lyle supports a number of research initiatives at local universities.
- **Agricultural Day at Lafayette:** employees from our plants in Lafayette South and Sagamore volunteer to help run the local agricultural day each year.
- **Local fundraising and donations:** many employees from across our plants support local causes with activities such as sponsored walks, food drives, and donating clothing, gifts and supplies for schools.

**Managing our impact**
Our aim is to ensure that all our sites around the world develop programmes in line with our community involvement policy, which is ratified by the Board. We continue to make progress in this, but there are different levels of activity reflecting the history of Tate & Lyle's involvement in the area and the size of our presence.

In locations where we have operated for a long time, such as the East End of London, and the Decatur, Illinois area, we have long-running partnerships with local organisations and make a considerable contribution. In other areas where we have recently acquired sites or built new plants, our involvement is at an earlier stage. Our aim continues to be to share best practice and improve internal standards and reporting around the world so that all parts of the Group develop mutually beneficial long-term community partnerships.

*Awards*
While we do not actively seek or measure success in terms of awards won, we value the external recognition such awards convey. In 2008 we received a Silver Payroll Giving Award in the UK which is given to businesses who actively promote payroll giving in the workplace. We also received a bronze award for our support for Caravan, a UK charity set up to help support former employees of the food manufacturing and retail sales industries.

**Outlook**
We continue to progress with integrating our community efforts around the world, and to focus particularly on sharing the benefits of our programmes with those operations newer to the Group.

**Actively supporting local charities and communities**
From helping disabled children ride horses in Singapore, to sponsored walks in the US and climbing mountains in the UK (pictured, employees doing the UK's Three Peaks Challenge), our employees everywhere can be found supporting local charities and communities. As well as Group-organised events, many employees take part in activities on their own initiative, helping to ensure that we play a full and positive part in the local communities in which we operate.

This section sets out our financial statements and other statutory information. Our aim is to provide clear and comprehensive information to investors and other stakeholders in a manner that meets their needs.

## Statutory information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# Directors' report

### Principal activities of the Group
The principal activities of Tate & Lyle PLC and its subsidiary and associated undertakings are developing, manufacturing and marketing food and industrial ingredients made from renewable resources.

### Business review
A review of the Group's business, its activities and performance during the year, use of financial instruments, post balance sheet events and likely future developments is on pages 6 to 58, and the corporate social responsibility report is on pages 70 to 79. The information on these pages that is required to fulfil the requirements of the business review is incorporated in this directors' report by reference.

### Results and dividend
A review of the results is on pages 32 to 58.

An interim dividend of 6.8p per ordinary share was paid on 9 January 2009. The directors recommend a final dividend of 16.1p per ordinary share to be paid on 31 July 2009 to shareholders on the register on 3 July 2009, subject to approval at the 2009 Annual General Meeting (AGM). The total dividend for the year is 22.9p per ordinary share (2008 – 22.6p).

### Annual General Meeting
The AGM will be held at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE, on Thursday 23 July 2009 at 2.00 pm. The Notice of Meeting document gives full details of the AGM.

### Financial risk policies
A summary of the Company's treasury policies and financial risk management objectives, including exposure to associated risks, is on pages 56 to 58.

### Share capital
At 31 March 2009, the Company had nominal issued ordinary and preference share capital of £117 million comprising £115 million in ordinary shares, including £1 million in treasury shares, and £2 million in preference shares.

Holders of ordinary shares have the rights accorded to them under UK Company law, including the right to receive the Company's annual report and accounts, attend and speak at general meetings, appoint proxies and exercise voting rights.

Holders of preference shares have limited voting rights and may not vote on: the disposal of surplus profits after the dividend on the preference shares has been provided for; the election of directors; their remuneration; any agreement between the directors and the Company; or the alteration of the Articles of Association dealing with any such matters. Further details regarding the rights and obligations attached to share classes are contained in the Articles of Association, available on www.tateandlyle.com.

There are no restrictions on the transfer of shares and prior approval is not required from the Company nor from other holders for such a transfer. No limitations are placed on the holding of shares and no share class carries special rights of control of the Company. There are no restrictions on voting rights other than those outlined above on preference shares. The Company is not aware of any agreements between shareholders that may restrict the transfer or exercise of voting rights.

The Company was given authority at the 2008 AGM to make market purchases of up to 45,788,628 of its own ordinary shares. The Company made no such purchases during the year ended 31 March 2009. This authority will expire at the 2009 AGM and approval will be sought from shareholders for a similar authority to be given for a further year.

To satisfy obligations under employee share plans, the Company issued 102,335 ordinary shares during the year and reissued 1,426,571 ordinary shares from treasury. The Company did not issue any ordinary shares or reissue any ordinary shares from treasury during the period from 1 April 2009 to 27 May 2009.

Further information about share capital is on page 133. Information about options granted under the Company's employee share schemes is on pages 135 and 136.

### Change of control
The Company has committed bank facilities of US$1,130 million, of which US$130 million matures in 2009 and US$1 billion matures in 2012. Under the terms of these facilities, the banks can give notice to Tate & Lyle to prepay outstanding amounts and cancel the commitments where there is a change of control of the Company.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

### Substantial shareholdings
At 27 May 2009, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the Financial Services Authority of the following holdings of voting rights in its shares:

| | No. of shares | % held |
|---|---|---|
| INVESCO Limited | 78,579,956 | 17.14% |
| Harbinger Capital Partners LLC | 60,037,554 | 13.09% |
| AXA S.A. | 26,686,761 | 5.82% |
| Lehman Brothers International (Europe) | 18,122,510 | 3.95% |
| Legal & General Group plc | 18,062,288 | 3.93% |
| Barclays Global Investors | 17,568,133 | 3.59% |

### Directors

Board directors and their biographies are on pages 60 and 61. Stuart Strathdee and Stanley Musesengwa ceased to be directors with effect from 23 July 2008, and John Nicholas ceased to be a director on 30 September 2008. Tim Lodge was appointed an executive director and Group Finance Director with effect from 4 December 2008. Sir Peter Gershon was appointed a non-executive director and Chairman-elect with effect from 1 February 2009.

### Retirement and re-election of directors

The Company's Articles of Association require all directors to seek re-election by shareholders at least once every three years. Any directors appointed by the Board must stand for re-election at the first AGM following their appointment. Any non-executive directors serving for more than nine years are subject to annual re-election.

The directors standing for re-election this year are Iain Ferguson and Robert Walker, last re-elected in 2006; Sir Peter Gershon and Tim Lodge, appointed during the year; and Sir David Lees, who has served for more than nine years.

Sir David, Robert Walker and Sir Peter do not have service contracts. At no time during the year has any director had any material interest in a contract with the Group, being a contract of significance in relation to the Group's business. A statement of directors' interests in Company shares is on page 95.

### Research and development

The Group spent £28 million (2008 – £32 million) on research and development during the year.

### Employment policy and involvement

The average number of employees in the Group during the year is given in Note 9 on page 115.

Group companies operate within a framework of HR policies, practices and regulations appropriate to their market sector and country of operation. Policies and procedures for recruitment, training and career development promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin. The aim is to encourage a culture in which all employees have the opportunity to develop fully according to their individual abilities and the needs of the Group. The Group remains committed to the fair treatment of people with disabilities regarding applications, training, promotion and career development.

Training is concentrated on multi-skilling to encourage flexibility. The Group runs a series of international programmes to develop management skills and share management ideas across the Group.

Employee involvement and feedback is actively encouraged. A variety of ways are used to consult and inform employees including a Group-wide magazine, e-mail, intranet, briefings and roadshows. These are designed to facilitate dialogue while enabling the development of a common awareness among employees of what affects business performance.

### Donations

Worldwide charitable donations during the year totalled £674,000 (2008 – £642,000), of which £379,000 (2008 – £412,000) was donated in the UK. More details of the Group's community involvement can be found on pages 78 and 79.

In line with Group policy, no political donations were made in the EU during the year. Outside the EU, the Group's US business made contributions during the year totalling US$48,000 (£28,000) (2008 – US$46,000; £23,000) to state and national political party committees and to the campaign committees of state candidates affiliated to the major parties. The total includes US$23,000 (£13,000) (2008 – US$15,000; £7,500) contributed by the Tate & Lyle Political Action Committee (PAC). The PAC is funded entirely by US employees. Employee contributions are entirely voluntary and no pressure is placed on US employees to participate. No funds are provided to the PAC by Tate & Lyle, but, under US law, an employee-funded PAC must bear the name of the employing company.

### Payment to suppliers

Group policy is that UK operating companies should follow the CBI Prompt Payers' Code. The Code requires the Company to agree terms of payment with suppliers, to ensure suppliers are aware of those terms, and to abide by them. Our policy is, wherever possible, to apply the requirements of the Code to wholly-owned companies around the world.

Tate & Lyle PLC is a holding company and had no amounts owing to trade creditors at 31 March 2009. The Group's creditor days outstanding at 31 March 2009 were 38 days (2008 – 42 days).

### Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report, the directors' remuneration report and the Group and the parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the EU, and with regard to the parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case necessary supporting assumptions or qualifications should be given.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on pages 60 and 61, confirms that, to the best of his/her knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the directors' report contained in the 'What We Do' and 'How We Performed' sections includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

### Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office and a resolution reappointing them as auditors will be proposed at the 2009 AGM.

On behalf of the Board
**Robert Gibber**
**Company Secretary**
*27 May 2009*

This report has been prepared in accordance with the requirements of Schedule 7A of the Companies Act 1985 (the Act) and the Listing Rules of the UK Listing Authority. PricewaterhouseCoopers LLP have audited the contents required by the Act (the tabular information on pages 90 to 95). A resolution to approve this report will be proposed at the Annual General Meeting (AGM) on 23 July 2009.

**Remuneration Committee**

The Remuneration Committee (the Committee) comprises the independent non-executive directors and the Chairman of the Company. The following served during the year: Evert Henkes (Committee Chairman), Elisabeth Airey, Richard Delbridge, Sir David Lees, Robert Walker and Dr Barry Zoumas. Sir Peter Gershon became a member of the Committee on his appointment as a non-executive director and Chairman-elect on 1 February 2009.

The Chief Executive, Human Resources Director – PLC, Group Compensation Manager and Company Secretary and General Counsel, who acts as Secretary to the Committee, are normally invited to attend meetings, although not when their own remuneration is discussed.

The Committee met 11 times during the year. Individual members' attendance records at meetings during the year are given in the table on page 63.

The Committee's terms of reference, which can be found on www.tateandlyle.com, are reviewed annually to ensure they reflect best practice.

The Committee reviews its work and effectiveness each year and reports any recommendations to the Board. The 2009 review concluded that the Committee had fulfilled its role and responsibilities appropriately.

The Committee determines the individual remuneration packages of each executive director and other members of the Group Executive Committee (see page 62). This includes base salary, benefits and other allowances, bonus, long-term incentives and terms of employment, including those upon which service may be terminated. Additionally, the Committee approves the base salary, benefits and long-term incentives of certain other senior executives. In consultation with the Chief Executive, the Committee also determines the Chairman's remuneration. The Chairman does not participate in discussions or decisions relating to his own remuneration. The Committee is responsible for the long-term incentive plans (LTIPs) operated by the Company.

To ensure that the Group's remuneration practices remain competitive, the Committee receives advice from independent remuneration consultants. During the year, the Committee reappointed Jeremy Orbell of Hewitt New Bridge Street (Hewitt) to act as its principal adviser. This appointment was in accordance with the Committee's policy whereby an individual consultant appointed to advise the Committee on the remuneration of executive directors and certain other senior executives shall not also advise Group management on the remuneration of any other executives in the Group.

In addition to market remuneration data provided by Hewitt, the Committee gets data from a Towers Perrin survey, and Total Shareholder Return performance data and ranking information for the Performance Share Plan (PSP) and Deferred Bonus Share Plan (DBSP) from Kepler Associates. Linklaters provides general legal advice on remuneration matters. Hewitt, Towers Perrin and Kepler Associates provided no other services to the Group. Linklaters gave legal advice on a range of matters.

**Remuneration policy**

The Remuneration Committee is responsible for setting the remuneration of the executive directors in accordance with a policy determined by the Committee and agreed with the Board. For executive directors and senior executives, the policy is to provide packages that attract, motivate and retain high-calibre individuals to manage the Group successfully for the benefit of shareholders. They are designed to:

- be competitive and commensurate with other UK-based international businesses of similar size;
- align the interests of executives and shareholders by rewarding growth in shareholder value;
- reward above-average performance;
- ensure that performance-related elements form a significant proportion of the total remuneration package; and
- take into account local country practice.

It is intended that this policy will continue during the year ending 31 March 2010.

**Review of executive remuneration**

Each year, with the help of its independent remuneration adviser, the Committee reviews the appropriateness of executive remuneration arrangements. During the year ended 31 March 2009 the Committee undertook a comprehensive review to ensure that arrangements for executive directors and others were fit for purpose and reflected both the evolving strategic objectives and business needs of the Group and changing competitive market trends and best practice.

The main conclusions were:

- the overall approach to remuneration was generally well aligned to Company performance and shareholder value;
- for some executive roles, the levels of annual bonus or long-term incentive opportunity were below the relevant market median, but the Committee concluded that for the executive directors these should, for the time being, remain unchanged;
- the annual bonus for division Presidents should give due regard to the performance of their respective divisions;
- for the PSP, an earnings per share performance measure should be applied alongside the existing relative total shareholder return (TSR) metric; and
- to streamline the total remuneration package, the DBSP should be suspended.

The changes to remuneration policy are explained in more detail in the following sections.

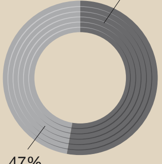
**Remuneration package**

**Composition**

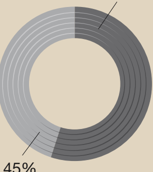
The current remuneration package for executive directors consists of base salary, benefits and other allowances, annual bonus, long-term incentives and pension. The Company's policy is to ensure that a significant proportion of the total package is performance-related, at both target and stretch levels.

The relative proportions of the Chief Executive's and the Group Finance Director's remuneration, when valued at both target and stretch performance levels (on the basis of the award value of the long-term incentives which they would normally be granted but excluding post-retirement benefits and allowances paid in lieu of pensions), are shown in the charts on the page opposite.

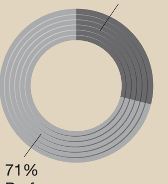
**Target performance**
Chief Executive



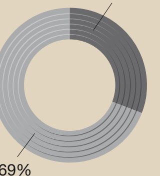

Group Finance Director




**Stretch performance**
Chief Executive




Group Finance Director




## Base salary

Base salaries take account of the median relative to similar companies (generally those occupying positions 50 to 130 of the FTSE rankings, where equivalent or similar roles are deemed to exist) and also to reflect job responsibilities and the sustained level of individual performance.

The Committee reviews the base salary of each executive director annually. It considers the external economic environment, market data, individual performance, the Group's financial performance and also the level of pay awards made to other employees and executives elsewhere across the Group.

The Chief Executive's base salary was reviewed on 1 April 2009. No increase was awarded, consistent with the decision not to award salary increases across Tate & Lyle for the 2010 financial year, with the exception of contractual and statutory obligations and those obligations from previous negotiations with Union-represented employees. Following his appointment on 4 December 2008, the Group Finance Director's base salary will not be reviewed until 1 April 2010, in line with the terms of his appointment.

Executive directors' base salaries are shown in the table below.

| Director | **As at 1 April 2009** | As at 1 April 2008 |
|---|---|---|
| Iain Ferguson[1] | **£726,000** | £726,000 |
| Tim Lodge | **£375,000** | – |

1. As announced on 19 May 2009, Iain Ferguson will be leaving the Group during the 2010 financial year.

## Benefits and other allowances

Benefits comprise principally a company car or a cash allowance in lieu; health insurance; and premiums paid on life assurance policies. These benefits do not form part of pensionable earnings.

## Annual bonus scheme

### *Policy and award levels*

The Group operates an annual cash bonus scheme for executive directors and senior executives, which is determined by reference to the performance of the Group, or appropriate division or subsidiary, primarily against financial objectives.

Annual bonuses payable under the scheme are capped at 100% of base salary or lower, depending on the executive's responsibilities. There is a threshold level below which no bonus is paid. The Committee reviews the attainment of financial targets and agrees the bonus payments. Bonuses paid to executive directors do not form part of pensionable earnings.

For the year ended 31 March 2009, the threshold, target and maximum award level for executive directors was 10%, 50% and 100% of base salary respectively.

Performance criteria for the scheme are set by the Committee at the beginning of each financial year. In setting these targets, the Committee considers the Group's annual operating plan; performance in previous years; market expectations; and the prevailing economic climate.

To ensure that bonuses are not inflated or deflated as a result of exchange rate movements, the Group profit before tax, exceptional items and amortisation (PBTEA) numbers for bonus purposes are restated on the basis of the exchange rates used for the Group's annual operating plan agreed by the Board at the start of the year.

### *Bonus for the year ended 31 March 2009*

For the year ended 31 March 2009, the performance target criteria consisted of threshold and target awards payable on the achievement of a predetermined PBTEA level, and a maximum award payable for the achievement of a PBTEA level in excess of target performance. For bonus purposes, PBTEA was based on the performance of the Group's continuing businesses (excluding the results of businesses sold during the year).

The PBTEA achieved by continuing businesses for the year ended 31 March 2009, restated on a constant exchange rate basis, did not reach the threshold level of performance, and, as a result, executive directors did not receive a bonus.

Executive directors and certain other senior executives used to be offered the opportunity to invest up to 50% of their cash bonus in Tate & Lyle shares through the DBSP. However, the Committee has decided to suspend this arrangement for the year ended 31 March 2009 and thereafter. Details of the DBSP and an explanation of the Committee's decision can be found on page 87.

### *Bonus for the year ending 31 March 2010*

For the year ending 31 March 2010, an operating cash flow metric will be introduced as a secondary performance criterion to supplement the existing PBTEA metric, weighted 75% PBTEA, 25% cash flow. Reflecting current business objectives, this emphasises the ongoing importance of cash flow management, and will be reviewed at the end of the year. Before any bonus becomes payable under the cash flow metric, at least threshold PBTEA performance must be achieved. Consistent with the treatment of PBTEA, the cash flow numbers will be restated on the basis of exchange rates used for the Group's annual operating plan.

### Long-term incentive arrangements

The Committee believes that performance-based long-term incentive plans (LTIPs) closely align executive directors' and senior executives' interests with those of shareholders' and are therefore an important component of the overall package.

During the year ended 31 March 2009, the Company operated two LTIPs, the Tate & Lyle 2003 PSP and the Tate & Lyle 2005 DBSP.

Between August 2000 and June 2004, options were granted under the 2000 Executive Share Option Scheme (2000 Scheme) to executive directors and other senior employees. In June 2005, the Committee decided to suspend granting options under the 2000 Scheme. While the Committee retains the discretion to make option grants in the future in exceptional circumstances (for example, in hiring packages), there is no current intention to make use of this discretionary power. No options have been granted under the 2000 Scheme since it was suspended and the authority to grant options under this Scheme will expire in August 2010.

#### *Performance Share Plan*

Shareholders approved the PSP at the AGM in July 2003. Executive directors and other selected senior executives are eligible to participate in the PSP at the discretion of the Committee. Awards of shares under the PSP are not pensionable in any circumstances.

Under the PSP, participants are awarded annually a conditional right to receive a number of Tate & Lyle ordinary shares in value up to a maximum of 175% of base salary. This is calculated by reference to the average of the daily closing prices of Tate & Lyle ordinary shares preceding the beginning of the performance measurement period. The average of the daily closing prices is taken over six months for the awards made in 2003 to 2008 and over three months for the 2009 award. The number of shares that a participant ultimately receives depends on the Group's performance during the three-year performance period beginning on 1 April in the year of the award.

TSR calculations are independently supplied by Kepler Associates and reviewed by the Committee.

Irrespective of Tate & Lyle's TSR, before any shares become eligible for release, the Committee must be satisfied that this is justified by the underlying financial performance of the Group over the measurement period. There is no retesting of the performance conditions.

At the end of the three-year measurement period, the conditional award is converted into a deferred right to acquire the appropriate number of shares. For awards made between 2003 and 2008, there is a one-year retention period so shares arising from those awards will not be released to the participant for one further year other than in the specific circumstances set out in the rules of the PSP. As approved by shareholders at the 2005 AGM, for awards made since 2005, participants will benefit from payments in lieu of dividends during the retention period on those shares which have already vested. If a participant resigns during the one-year retention period, the deferred right to acquire the appropriate number of shares will lapse. Following the executive remuneration review, the Committee removed the one-year retention period in line with market practice.

In the event of a change of control of the Company in the first year of the performance period, participants will receive no shares. However, in the event of a change of control in the second or third year, participants will receive a proportion of the potential award, calculated according to the degree of satisfaction of the performance condition and the length of time elapsed. In the event of a change of control in the additional one-year retention period (PSP awards granted in 2003-2008), participants will receive the full number of shares which vest on satisfaction of the performance condition. If the performance condition is not satisfied, participants will not receive any shares.

#### *(i) 2003 to 2008 awards*

For awards made from 2003 to 2008, performance is measured by comparing the TSR (defined as share price growth plus reinvested dividends) of Tate & Lyle relative to a comparator group of companies. All share prices for the purpose of the TSR calculation are based on a six-month average. The Committee chose relative TSR for the PSP since it closely aligns executives' interests with those of shareholders, being an objective measure of the value created for shareholders. The comparator group consists of the companies occupying positions 50 to 130 of the FTSE rankings at the beginning of the relevant performance period. The Committee considered this to be appropriate given the Company's position in the FTSE at the time of each grant. The Committee reviews the performance measurement metrics and the continued validity of the comparator group annually.

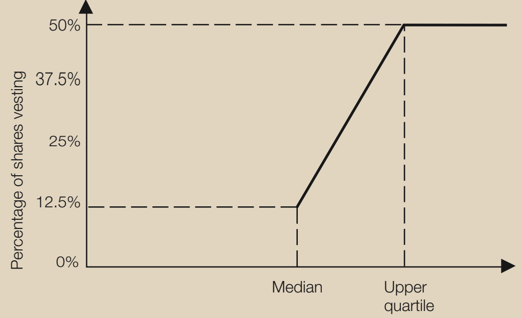
If, at the end of the measurement period, Tate & Lyle ranks in the upper quartile of the comparator group, participants in the PSP will be eligible to receive all of the shares conditionally awarded to them. If the ranking is at the median level, 25% of the shares may be received. No shares will be received for below-median performance. For intermediate rankings between median and upper quartile, participants may receive a proportionate number of shares increasing on a straight-line basis.

Details of the measurement of the performance condition for the PSP award made in June 2006 are set out on page 89.

#### *(ii) 2009 award*

For awards to be granted in June 2009, the Committee has decided to introduce a second performance criterion: 50% of a participant's annual award will be subject to the Group meeting targets for adjusted diluted earnings per share (EPS) from total operations. The other 50% of the award will be subject to the same relative TSR performance used in previous years (as explained above), although the TSR calculation has been changed for the 2009 award from being based on a six-month average period (as used for the awards made in 2003 to 2008) to a three-month average period in line with best practice. The vesting scale is shown below.

**PSP vesting schedule – TSR measure**



The Committee considers that the use of EPS alongside relative TSR creates a balance between two commonly used internal and external metrics, both being relevant measures aligned to shareholder value.

For the 50% of the award relating to EPS performance to vest, the compound annual growth rate (CAGR) of the Company's EPS over the three-year performance measurement period must exceed the targets according to the vesting schedule shown in the table below:

| Annual CAGR of EPS during the performance period | Percentage of total annual award which vests |
|---|---|
| Below 5% | 0% |
| 5% | 12.5% |
| Between 5% and 15% | On a straight line basis between 12.5% and 50% |
| 15% or more | 50% |

***Deferred Bonus Share Plan***

Shareholders approved the DBSP at the AGM in July 2005. However, as part of the executive remuneration review carried out in 2008, the Committee concluded that the operation of the DBSP should be suspended. The Committee believes that this will help to streamline the total remuneration package, and that the existing PSP, along with the executive shareholding policy, sufficiently aligns the interests of the executives with those of the shareholders.

Under the DBSP, executives had the opportunity to defer up to 50% of their annual cash bonus (after deduction of tax, national insurance or other social security payments) and invest the amount deferred in the Company's shares. Subject to the satisfaction of employment conditions for awards made prior to 2008 and a performance condition over the performance period, participants receive awards of matching shares based on the number of shares which could have been acquired from the gross bonus amount deferred by the participant (lodged shares). Awards of matching shares are not pensionable. Details of performance targets attached to past awards made in 2005, 2006, 2007 and 2008 are summarised on page 86. Details of the measurement of the performance condition for the DBSP award in June 2006 are set out on page 89.

***Sharesave Scheme***

This Scheme is open to all employees in the UK, including executive directors. No performance conditions are attached to options granted under the Scheme since it is an all-employee scheme. Options granted to participants are normally set at a discount of 10% to the market value of the shares at the time of the grant.

***Change of control and voting***

Some of the Company's employee share plans include restrictions on transfer of shares while the shares are subject to the plan. All of the Company's share plans contain provisions relating to a change of control (as explained in more detail above). Outstanding awards and options would normally vest and become exercisable on a change in control, subject to the satisfaction of any performance conditions at that time. Where participants are the beneficial owners of the shares under an employee share plan, but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participants.

***Dilution***

To satisfy options granted under the 1992 Executive Share Option Scheme (closed in July 2000) and the UK all-employee Sharesave Scheme, the Company issues new shares. To satisfy outstanding awards under the LTIPs, the Company uses either Treasury shares or shares that have been purchased by the Trustees of the Tate & Lyle Employee Benefit Trust.

In the ten-year period to 31 March 2009, awards made under the executive schemes represented 1.8% of the Company's issued ordinary share capital (2008 – 2.0%), leaving available dilution headroom of 3.2% (2008 – 3.0%). Awards made under all share schemes represented 3.1% of the Company's issued ordinary share capital (2008 – 3.6%) leaving available dilution headroom of 6.9% (2008 – 6.4%).

***Executive shareholding policy***

To align the interests of executive directors with those of shareholders, executive directors are expected to build and maintain a shareholding in the Company equivalent to their base salary. Executive directors who have not met their target shareholding are expected to retain a significant proportion of shares acquired through LTIPs in order to meet their target.

**Pensions**

***Policy***

Retirement benefits, in the form of pension and/or lump sums, should reflect local market practice at median levels, and are provided through tax-approved schemes, where possible covering executives in the country and business sector in which they perform their principal duties.

The Group's largest pension scheme is the UK-based Tate & Lyle Group Pension Scheme (Group Scheme), a defined benefit arrangement. The Company closed the Group Scheme to new entrants from 1 April 2002, and since then, new employees have been offered defined contribution type pension provision through a Stakeholder Plan, which is an insurance-based contract. For the following executive directors, both current and former, bonuses are not pensionable.

***Individual executive directors***

Iain Ferguson is not a member of the Group Scheme for pension purposes and accordingly has accrued no pension benefits under it. He has been provided with life assurance cover and has also participated in the Group Income Protection Scheme, which applies to all UK employees who are not otherwise covered for ill-health benefits under the Group Scheme. In accordance with Group policy he is paid a cash allowance calculated as a percentage of base salary, from which he makes his own pension arrangements.

Tim Lodge is a member of the Group Scheme and is eligible for a pension equal to two-thirds of his final pensionable earnings (highest basic salary in the last five completed tax years) payable from his normal retirement date. The benefit also includes a widow's pension payable on his death and a lump sum on death in service. Once in payment, his pension (and any subsequent widow's pension) is subject to increases in line with the UK Retail Price Index (RPI) up to a maximum of 5%, with a minimum of 3%. Although the capital value of his benefits were within the lifetime tax allowance at 5 April 2006, his continued accrual will ultimately result in a tax charge under the new tax regime introduced on 6 April 2006.

*Former executive directors*
Stanley Musesengwa, who left the Company on 31 July 2008, is a member of the Group Scheme and accrued pension at a rate of 1/30th of pensionable earnings for each year of service. Before 6 April 2006, the extent to which his basic salary was pensionable was restricted by the statutory earnings cap, and he received a cash allowance based on a percentage of his basic salary in excess of this cap. The new tax regime introduced on 6 April 2006 removed this cap and Stanley Musesengwa elected to forego his cash allowance and receive pension accrual after this date based on his full basic salary without restriction.

His pensionable earnings in relation to pensionable service accrued before 6 April 2006 have been restricted by a scheme-specific earnings cap. His final pensionable earnings were based on his highest basic salary in the last five completed tax years before leaving, adjusted for the earnings cap restriction explained above. The benefit also includes a widow's pension payable on his death, and, for the first four months of the year ended 31 March 2009, he was covered by a lump sum benefit which would have been payable upon death in service. His pension and the contingent widow's pension are subject to increases in line with the RPI, as above.

Stuart Strathdee stepped down from the Board at the 2008 AGM but will remain with the Company until the end of July 2009. He is a member of the Group Scheme and is eligible for a pension equal to two-thirds of his final pensionable earnings (highest basic salary in the last five completed tax years) payable from his normal retirement date. The benefit also includes a widow's pension payable on his death and a lump sum on death in service. Once in payment, his pension (and any subsequent widow's pension) is subject to annual increases in line with the RPI as above.

During the year ended 31 March 2008, Stuart Strathdee completed the maximum service that counts for pension purposes, so over the current year he accrued no further pensionable service. His accrued pension, however, was increased in line with his pensionable earnings. When the new tax regime for UK pensions was introduced on 6 April 2006, Stuart Strathdee elected to continue with future pension accrual, as opposed to taking the cash alternative, so potentially he could incur a tax charge on the value of any benefits in excess of the relevant lifetime tax allowance.

John Nicholas left the Company on 30 September 2008. He was not a member of the Group Scheme for pension purposes and accordingly accrued no pension benefits under it. He was paid a cash allowance calculated as a percentage of base salary from which he made his own pension arrangements. He was provided with life assurance cover and also participated in the Group Income Protection Scheme. On leaving service, John Nicholas's participation in the Group Income Protection Scheme and his life assurance cover ceased.

Details of the accrued pension benefits for those executive directors who participate in the Group Scheme are given on page 94. Details of amounts paid in lieu of pensions are included in the table on page 90, under pension allowance.

**Service contracts**
**Policy**
Contracts for executive directors should be terminable by the Company on a maximum of one year's notice, except in special circumstances, and by the director on up to six months' notice. In the event of early termination of an executive director's contract, the Company's policy is to take legally-appropriate mitigation factors into account in determining the amount of compensation payable.

**Executive directors**
All the executive directors have contracts terminable by the Company on not more than one year's notice and by the individual director on six months' notice. As regards mitigation, in a case where the Company seeks early termination of the contract (other than where summary dismissal is appropriate), under the service contract for Iain Ferguson, the Company has the right, but not the obligation, to pay in lieu of notice, the salary and contractual benefits that the director would have received during the notice period. The service contract for Tim Lodge also entitles the Company to make staged payments of pay in lieu of notice given by the Company. The Company may, as a consequence, make a reduced payment, or require phased payment, so as to ensure the relevant director fulfils his obligation to mitigate his losses.

The details of the executive directors' service contracts as at 31 March 2009 are given in the table below.

| Director | Date of contract | Unexpired term (weeks) | Notice period (weeks) |
|---|---|---|---|
| Iain Ferguson[1] | 15/04/03 | 52 | 52 |
| Tim Lodge | 04/12/09 | 52 | 52 |

1. As announced on 19 May 2009, Iain Ferguson will be leaving the Group during the 2010 financial year.

*Former executive directors*
Stuart Strathdee and Stanley Musesengwa retired as executive directors and stepped down from the Board at the 2008 AGM. Since then, Stuart Strathdee has remained an employee working on strategic development. His salary remains at £343,000 per annum but will not be reviewed again before he leaves the Group on 31 July 2009. He is eligible to participate in the annual bonus scheme although any payment will be pro-rated for the year ending 31 March 2010 for actual time served. He continues to be provided with a company car and health insurance.

Stanley Musesengwa and John Nicholas left the Company after stepping down from the Board and payments as compensation for loss of office made to them pursuant to the terms of their service contracts are detailed on page 90.

**Chairman and non-executive directors**
*Chairman*
Sir David Lees was appointed non-executive Chairman on 1 October 1998 for an initial period of three years. This appointment was extended by the Board upon the recommendation of the Nominations Committee until 30 September 2002, and continued thereafter terminable by the Company or Sir David Lees on not less than one year's notice. As announced on 28 November 2008, Sir David Lees will leave the Company by the end of the 2009 calendar year at which time he will be replaced as Chairman by Sir Peter Gershon.

Following the most recent review of his fees on 1 October 2008, the Remuneration Committee approved an increase in the Chairman's fee to £340,000 (2008 – £330,500).

*Chairman-elect*
Sir Peter Gershon was appointed as a non-executive director and Chairman-elect from 1 February 2009. The Remuneration Committee approved an initial fee of £100,000 per annum,

increasing to £275,000 per annum upon his appointment as Chairman.

### *Non-executive directors*

Non-executive directors' fees, reviewed annually by the Board, are set at a level to retain individuals with the necessary experience and ability to make a substantial contribution to the Group's affairs. Fees paid are commensurate with those paid by other UK listed companies. In addition to the basic fee for each non-executive director and the Senior Independent Director, supplements are paid to the Chairmen of the Audit and Remuneration Committees to reflect the extra responsibilities attached to these positions. A supplement is also paid to Dr Barry Zoumas for chairing the Tate & Lyle Research Advisory Group.

The non-executive directors do not participate in the Group's incentive or pension schemes, nor do they receive other benefits. The non-executive directors do not have service contracts or notice periods, but under the terms of their appointment they are usually expected to serve on the Board for between three and nine years, with a review every three years, subject to their re-election by shareholders. Non-executive directors have no right to compensation on the early termination of their appointment.

The most recent review of non-executive directors' fees, on 1 April 2009, concluded that having regard to levels of pay increases elsewhere in the Group, it was appropriate that there should be no change in any of the fees. The fees are shown in the table below.

| Basic fees (per annum) | **As at 1 April 2009** | As at 1 April 2008 |
|---|---|---|
| Non-executive director and Chairman-elect[1] | **£100,000** | – |
| Non-executive director | **£48,000** | £48,000 |
| Senior Independent Director | **£54,500** | £54,500 |

| Supplements (per annum) | **As at 1 April 2009** | As at 1 April 2008 |
|---|---|---|
| Chairman of Audit Committee | **£15,000** | £15,000 |
| Chairman of Remuneration Committee | **£10,000** | £10,000 |
| Chairman of Research Advisory Group | **£21,000** | £21,000 |

1. Sir Peter Gershon was appointed to the Board as a non-executive director and Chairman-elect from 1 February 2009.

### External appointments

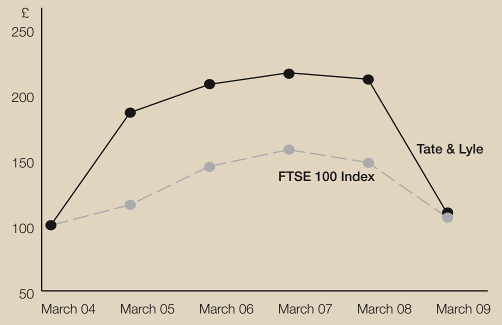
The Board believes that the Company benefits from executive directors holding non-executive directorships. Such appointments are subject to approval by the Board and are normally restricted to one for each executive director. Fees may be retained by the executive director concerned.

Iain Ferguson is a non-executive director of Greggs plc (appointed from 31 March 2009), from which he retains the fees payable of £35,500 per annum.

### Total shareholder return performance

The graph below, as required under Schedule 7A of the Act, illustrates the cumulative TSR performance (share price growth plus reinvested dividends) of Tate & Lyle against the FTSE 100 Index over the past five years. The FTSE 100 Index is considered to be an appropriate benchmark for this purpose as it is a commonly used comparison for companies of Tate & Lyle's size. The graph shows the TSR for the FTSE 100 Index and Tate & Lyle in the five years from 31 March 2004.

**Tate & Lyle's five-year cumulative total shareholder return**
Value of £100 invested on 31 March 2004




Source: Kepler Associates

### 2005 PSP and DBSP awards – TSR performance

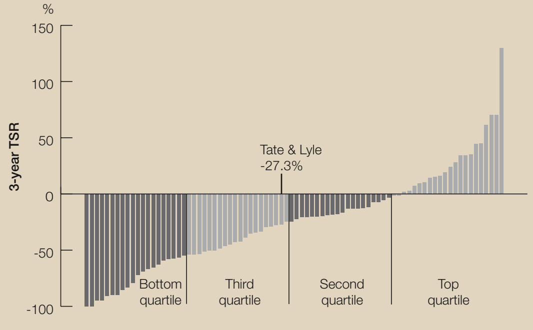
As stated in last year's annual report, Tate & Lyle's TSR performance was below the minimum required median performance. Accordingly the PSP award in June 2005 did not vest and lapsed; participants in the DBSP award in August 2005 who remained in continuous employment for the three-year performance period received one matching share for every three lodged shares during the year ended 31 March 2009.

### 2006 PSP and DBSP awards – TSR performance

As shown in the chart below, for the performance period from 1 April 2006 to 31 March 2009 in relation to the PSP and DBSP awards made in June 2006, Tate & Lyle's share price growth and dividend yields resulted in a TSR that ranked Tate & Lyle 43rd (47th percentile) in the comparator group of companies (those occupying positions 50 to 130 in the FTSE rankings at the start of the measurement period). This is below the minimum required median performance, and, as such, the 2006 PSP award did not vest and has lapsed. There is no retesting of the performance condition.

DBSP participants who have remained in continuous employment for the three-year performance period will receive one matching share for every three lodged shares.

**2006 PSP and DBSP awards total shareholder return**
Tate & Lyle and the comparator group (FTSE 50 to 130)
1 April 2006 to 31 March 2009




Each bar in the chart represents a company in the comparator group.
Source: Kepler Associates

## Directors' emoluments

The following table shows the directors' emoluments for the year ended 31 March 2009.

| | Salary and fees £000 | Pension allowance £000 | Benefits and other allowances[1] £000 | Annual bonus £000 | Compensation for loss of office £000 | Total year to 31 March 2009 £000 | Total year to 31 March 2008 £000 |
|---|---|---|---|---|---|---|---|
| **Chairman** | | | | | | | |
| Sir David Lees | **335** | **–** | **22** | **–** | **–** | **357** | 348 |
| **Executive directors** | | | | | | | |
| Iain Ferguson | **726** | **290** | **28** | **–** | **–** | **1 044** | 1 264 |
| Tim Lodge[2] | **121** | **–** | **3** | **–** | **–** | **124** | – |
| **Non-executive directors** | | | | | | | |
| Elisabeth Airey | **58** | **–** | **–** | **–** | **–** | **58** | 47 |
| Richard Delbridge | **59** | **–** | **–** | **–** | **–** | **59** | 68 |
| Sir Peter Gershon[3] | **17** | **–** | **–** | **–** | **–** | **17** | – |
| Evert Henkes | **58** | **–** | **–** | **–** | **–** | **58** | 55 |
| Robert Walker | **48** | **–** | **–** | **–** | **–** | **48** | 47 |
| Dr Barry Zoumas | **69** | **–** | **–** | **–** | **–** | **69** | 68 |
| **Former directors** | | | | | | | |
| Stanley Musesengwa[4] | **157** | **–** | **4** | **–** | **1 171** | **1 332** | 675 |
| John Nicholas[5] | **209** | **52** | **7** | **–** | **610** | **878** | 664 |
| Stuart Strathdee[6] | **107** | **–** | **4** | **–** | **–** | **111** | 463 |
| Directors who retired before 31 March 2008 | **–** | **–** | **–** | **–** | **–** | **–** | 35 |
| Totals | **1 964** | **342** | **68** | **–** | **1 781** | **4 155** | 3 734 |

1. Benefits for the Chairman and executive directors include the provision of a car (or cash allowance in lieu). Other benefits for executive directors include health insurance and premiums on life assurance policies (where not provided by pension benefit plans). Allowances comprise payments made in relation to life assurance policies (where not provided by pension benefit plans).
2. Tim Lodge was appointed to the Board from 4 December 2008 as Group Finance Director having previously held a number of positions within the Company. The figures in the table above relate to the period he served as a director during the year.
3. Sir Peter Gershon was appointed to the Board as a non-executive director and Chairman-elect from 1 February 2009.
4. Stanley Musesengwa left Tate & Lyle at the end of July 2008. Compensation for redundancy and loss of office and other amounts payable under the terms of his statutory and contractual leaving arrangements amounted to £417,425 plus an augmentation to his accumulated pension value of £754,000 as described in note 5 on page 94. He was also eligible to receive a bonus in respect of the period from 1 April to 31 July 2008, but the minimum performance criteria were not met and no bonus was payable. From the time he stepped down from the Board on 23 July 2008 until leaving he was paid £10,968 for services provided as an employee.
5. John Nicholas stepped down from the Board and left the Company on 30 September 2008. Compensation for loss of office represents payments of £610,250 under the terms of his contractual leaving arrangements. He was also eligible to receive a bonus in respect of the period from 1 April to 30 September 2008 but the minimum performance criteria were not met and no bonus was payable.
6. Stuart Strathdee stepped down from the Board at the 2008 AGM but remained an employee. For the period during the year in which he did not serve as a director he was paid a salary of £236,124 and received non-cash benefits of £9,230. He was also eligible to receive a bonus in respect of the year but the minimum performance criteria were not met and no bonus was payable.

### Performance Share Plan – directors' interests

Conditional rights to receive Tate & Lyle PLC ordinary shares under the PSP held by directors at 1 April 2008 (or date of appointment if later) and 31 March 2009 (or date of cessation if earlier), together with awards made during the year, were as follows:

| | Conditional awards held at 1 April 2008 (or date of appointment if later) | | Conditional awards made during the year[1] | Conditional awards becoming eligible for release during the year[2] | Conditional awards lapsed in year[3] | Conditional awards deferred during the year | **Conditional awards held at 31 March 2009 (or date of cessation if earlier)** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Conditional | Deferred | | | | | **Conditional** | **Deferred** | **Eligible for release** |
| **Directors** | | | | | | | | | |
| Iain Ferguson | 535 071 | 192 401 | 234 183 | 192 401 | 199 508 | – | **569 746** | **–** | **192 401** |
| Tim Lodge[4] | 57 858 | – | – | – | – | – | **57 858** | **–** | **–** |
| **Former directors** | | | | | | | | | |
| Stanley Musesengwa[5] | 312 888 | 137 779 | – | 137 779 | 118 339 | – | **194 549** | **–** | **137 779** |
| John Nicholas[6] | 142 538 | – | 112 092 | – | 112 092 | – | **142 538** | **–** | **–** |
| Stuart Strathdee[5] | 213 093 | 91 309 | – | 91 309 | 80 745 | – | **132 348** | **–** | **91 309** |

1. The performance period for the awards made during the year is from 1 April 2008 to 31 March 2011. The closing mid-market share price on 19 June 2008 (the date of the 2008 award) was 394.25p.
2. The awards which became eligible for release during the year relate to the conditional awards made in 2004 which were converted into deferred shares on 1 April 2007 and, in accordance with the rules of the PSP, became eligible for release on 1 April 2008. The closing mid-market share price on that day was 541.50p.
3. On 1 April 2008, 100% of the conditional awards made in 2005 lapsed because performance conditions were not met.
4. Tim Lodge was appointed as a director with effect from 4 December 2008.
5. Stanley Musesengwa and Stuart Strathdee ceased to be directors on 23 July 2008.
6. John Nicholas ceased to be a director on 30 September 2008. The conditional awards made to him during the year lapsed on cessation, in accordance with the rules of the PSP.

Awards made under the PSP are structured as nil-cost options and the performance conditions attaching to the awards made under the PSP are described on page 86.

### Deferred Bonus Share Plan – directors' interests

Conditional rights to receive matching shares over Tate & Lyle PLC ordinary shares under the DBSP held by directors at 1 April 2008 (or date of appointment if later) and 31 March 2009 (or date of cessation if earlier), together with awards made during the year, were as follows:

| | Shares acquired with net bonus at 1 April 2008[1] | Shares acquired with net bonus during year | Shares acquired with net bonus at 31 March 2009[2] | Maximum matching shares on gross bonus at 1 April 2008[1] | Maximum matching shares awarded during the year | Matching shares released during the year[3,7] | Matching shares lapsed during the year | **Maximum matching shares on gross bonus at 31 March 2009**[2,7,8] |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Iain Ferguson | 95 965 | – | 95 965 | 325 305 | – | 21 428 | 107 138 | **196 739** |
| Tim Lodge[4] | 2 003 | – | 2 003 | 6 790 | – | – | – | **6 790** |
| **Former directors** | | | | | | | | |
| Stanley Musesengwa[5] | 58 519 | – | 58 519 | 198 369 | – | – | 61 378 | **136 991** |
| John Nicholas[6] | 16 596 | – | 16 596 | 56 258 | – | – | – | **56 258** |
| Stuart Strathdee[5] | 13 197 | – | 13 197 | 44 736 | – | – | 17 797 | **26 939** |

1. Or date of appointment if later.
2. Or date of cessation if earlier.
3. The matching shares, representing the minimum one-for-three share match based on continued employment, were released on 29 July 2008 and the closing mid-market share price on that day was 391.00p.
4. Tim Lodge was appointed as a director with effect from 4 December 2008.
5. Stanley Musesengwa and Stuart Strathdee ceased to be directors on 23 July 2008.
6. John Nicholas ceased to be a director on 30 September 2008.
7. For awards made in 2005, 2006 and 2007, vesting is determined as follows:
   - if the shares are held throughout the three-year performance period, and the executive continues to be employed by the Company, matching shares are awarded on the basis of one matching share for every three lodged shares; or
   - for TSR during the three-year performance period of between median and upper quartile of the companies positioned 50 to 130 of the FTSE Index at the start of the performance period, one matching share will be awarded for each lodged share; or
   - for TSR during the three-year performance period against the upper quartile of the companies positioned 50 to 130 of the FTSE Index at the start of the performance period, two matching shares will be awarded for each lodged share.
8. For awards made in 2008 (i.e. the last awards made under the DSBP prior to suspension of the arrangement), vesting is determined as follows:
   - for TSR during the three-year performance period of median against the companies positioned 50 to 130 of the FTSE Index at the start of the performance period, one matching share will be awarded for each lodged share; increasing on a pro-rata basis so that
   - for TSR during the three-year performance period against the upper quartile of the companies positioned 50 to 130 of the FTSE Index at the start of the performance period, two matching shares will be awarded for each lodged share.
9. The notional aggregate gain made by directors on the exercise of options during the year was £83,783 (2008 – nil).

## Share Option Schemes – directors' interests

Options over Tate & Lyle PLC ordinary shares each granted under the 1992 and 2000 Executive Share Option Schemes (1992 ESOS and 2000 ESOS respectively) and Sharesave Scheme and held by directors as at 1 April 2008 (or date of appointment if later) and 31 March 2009 (or date of cessation if earlier), and during the year, were as follows:

| | At 1 April 2008[1] | Exercised during the year | Granted during the year | **At 31 March 2009[2]** | Exercise price (pence) | Earliest exercise date | Latest exercise date | Notes |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Iain Ferguson | 245 718 | – | – | **245 718** | 335.75 | 18.06.06 | 17.06.13 | 6 |
| | 272 307 | – | – | **272 307** | 325.00 | 18.06.07 | 17.06.14 | 6 |
| | 6 032 | 6 032 | – | **–** | 264.00 | 01.08.08 | 31.01.09 | 7 |
| | – | – | 3 988 | **3 988** | 408.00 | 01.08.13 | 31.01.14 | 7 |
| | 524 057 | 6 032 | 3 988 | **522 013** | | | | |
| Tim Lodge[3] | 4 253 | – | – | **4 253** | 395.00 | 01.03.11 | 31.08.11 | 7 |
| | 4 253 | – | – | **4 253** | | | | |
| **Former directors** | | | | | | | | |
| Stanley Musesengwa[4] | 130 000 | – | – | **130 000** | 325.00 | 18.06.07 | 17.06.14 | 6 |
| | 2 310 | – | – | **2 310** | 410.00 | 01.03.08 | 31.08.08 | 7 |
| | 132 310 | | | **132 310** | | | | |
| John Nicholas[5] | 1 319 | – | – | **1 319** | 716.00 | 01.03.10 | 31.08.10 | 7 |
| Stuart Strathdee[4] | 55 845 | – | – | **55 845** | 335.75 | 18.06.06 | 17.06.13 | 6 |
| | 86 153 | – | – | **86 153** | 325.00 | 18.06.07 | 17.06.14 | 6 |
| | 263 | – | – | **263** | 716.00 | 01.03.10 | 31.08.10 | 7 |
| | 1 423 | – | – | **1 423** | 531.00 | 01.08.10 | 01.01.11 | 7 |
| | 143 684 | – | – | **143 684** | | | | |

1. Or date of appointment if later.
2. Or date of cessation if earlier.
3. Tim Lodge was appointed as a director with effect from 4 December 2008.
4. Stanley Musesengwa and Stuart Strathdee ceased to be directors on 23 July 2008.
5. John Nicholas ceased to be a director on 30 September 2008.
6. Granted between 2000 and 2004 under the 2000 ESOS. The options were subject to a performance condition that was scaled such that, if over the first three consecutive years, the growth in the Company's normalised earnings per share exceeded the growth in the UK Retail Price Index excluding mortgage interest payments by an average of at least 3% per year (9.3% over three years), then 50% of options granted could be exercised; or by an average of at least 4% per year (12.5% over three years), then 100% of options granted could be exercised. All options granted under the 2000 ESOS have met their performance condition and are exercisable.
7. Granted under the Sharesave Scheme. Since it is an all-employee share scheme, no performance conditions are attached.
8. No other options were lapsed or exercised during the year under the 1992 ESOS, the 2000 ESOS or the Sharesave Scheme, save as disclosed above. The closing mid-market share price on 1 August 2008 (the day on which Iain Ferguson exercised his Sharesave options) was 388.50p.
9. The notional aggregate gain made by directors on the exercise of options during the year was £7,510 (2008 – nil).

The market price of the Company's ordinary shares at the close of business on 31 March 2009 was 260.50p, and the range during the year to 31 March 2009 was 229.50p to 543.50p.

## Directors' pension provision

Tim Lodge, Stanley Musesengwa and Stuart Strathdee are members of the Group Scheme and the information below sets out the disclosures required for them under both the Listing Rules of the UK Listing Authority and the Directors' Remuneration Report Regulations 2002.

| | | Defined benefit schemes | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Age at 31 March 2009 £000 | Accumulated total accrued pension at year-end[1] £000 | Directors' contributions during the year[2] £000 | Increase in accrued pension during the year[3] £000 | Increase (decrease) in accrued pension during the year (net of inflation)[4] £000 | Transfer value of increase (decrease) in accrued pension (net of inflation) less directors' contributions[5] £000 | Transfer value of accrued pension at start of year[6] £000 | Transfer value of accrued pension at year-end[7] £000 | Increase in transfer value for the year less directors' contributions[8] £000 |
| **Directors** | | | | | | | | | |
| Tim Lodge | 44 | 105 | 2 | 34 | 33 | 432 | 934 | 1 395 | 459 |
| **Former directors** | | | | | | | | | |
| Stanley Musesengwa[9] | 56 | 106 | 5 | 50 | 49 | 967 | 1 050 | 2 098 | 1 043 |
| Stuart Strathdee | 57 | 222 | – | – | (11) | (237) | 4 650 | 4 740 | 90 |

1. The figure shown represents the amount of pension benefits (based on service), pensionable earnings and, where appropriate, transferred pension rights, which would have been preserved for each director had he left service on 31 March 2009. The figure shown for Stanley Musesengwa includes his accrued deferred pension as at 23 July 2008 when he stepped down from the Board. The augmentation that was granted to him on 31 July 2008, after converting the immediate pension granted to a deferred pension using the Scheme's early retirement factors, has been included.
2. For each director, the figure represents the contributions paid over the year. For Tim Lodge it represents the contributions paid since his appointment.
3. For each director, the figure represents the difference between the total accrued pension at 31 March 2009 and the corresponding accrued pension at the beginning of the year. For Stanley Musesengwa and Stuart Strathdee, their accrued pensions at 31 July 2008, rather than 31 March 2009, have been used. For the former, this includes the augmentation described in note 5. No allowance is made for inflation.
4. As note 3, except that the figures quoted include an adjustment for inflation in accordance with the Listing Rules of the Financial Services Authority.
5. The figures shown represent the transfer value of the inflation-adjusted increase in the total accrued pension for the year, net of Directors' own contributions. Stanley Musesengwa worked for Tate & Lyle for over 28 years, most of which were in Africa. The value of his pension accrued during his service in Africa was minimal and significantly less than would have been the case had he served in the UK. Accordingly, as part of his termination arrangements, the Committee decided to augment his total accumulated pension value by £754,000, which, taken together with his compensation for loss of office described in note 4 on page 90, represented an ex gratia enhancement of around £290,000 in excess of his contractual entitlement. This brought his total accumulated pension value to the level of the 'Lifetime Allowance' permitted under the UK tax regime to partially offset the negative impact of his African service on his pension entitlement. The final pension payable to Stanley Musesengwa will still be very considerably less than a comparable director who had completed his service in the UK.
6. The figures shown represent the transfer value of the accumulated total accrued pension as at the beginning of the year or date of appointment in the case of Tim Lodge.
7. The figures shown represent the transfer value of the accumulated total accrued pension at 31 March 2009. During the course of the year the actuarial basis used by the Tate & Lyle Group Pension Scheme was amended by the Trustee, generally resulting in an increase in transfer value amounts. The transfer values quoted have been calculated using the actuarial bases which applied at 31 March 2009. Part of the increase in the transfer values over the year is attributable to the change in actuarial basis.
8. The figures shown represent the increase in the transfer values from the beginning of the year or date of appointment in the case of Tim Lodge to 31 March 2009. The transfer values quoted have been calculated using the actuarial bases which applied at each reporting date, net of the directors' own contributions.
9. As a result of the changes to the taxation of UK pension benefits that took effect from 6 April 2006, benefits accrued by Stanley Musesengwa in respect of service after that date are no longer subject to a cap on pensionable earnings. As a result, from 6 April 2006 the cash salary supplement previously paid to him in lieu of pension benefits in excess of the earnings cap ceased. The earnings cap continued to apply to benefits accrued in respect of his service prior to 6 April 2006.

## Directors' interests in Tate & Lyle shares

| | Ordinary shares | |
|---|---|---|
| | **At 31 March 2009** | At 1 April 2008[1] |
| Elisabeth Airey | **16 000** | 9 000 |
| Richard Delbridge | **50 000** | 45 000 |
| Iain Ferguson[2] | **232 735** | 204 092 |
| Sir Peter Gershon[3] | **34 700** | – |
| Evert Henkes | **1 000** | 1 000 |
| Sir David Lees | **70 000** | 60 000 |
| Tim Lodge[2,4] | **26 818** | 26 818 |
| Robert Walker | **10 265** | 3 665 |
| Dr Barry Zoumas | **27 000** | 13 000 |

1. Or date of appointment if later.
2. The number of shares shown as at 31 March 2009 for Iain Ferguson and Tim Lodge includes shares acquired in relation to the DBSP as detailed in the table on page 92.
3. Sir Peter Gershon was appointed as a director with effect from 1 February 2009.
4. Tim Lodge was appointed as a director with effect from 4 December 2008.

All of the above interests are beneficially held and no director had interests in any class of shares other than ordinary shares. There were no changes in directors' interests in the period from 1 April 2009 to 27 May 2009.

On behalf of the Board
**Evert Henkes**
**Chairman, Remuneration Committee**
*27 May 2009*

### Appointment of new Chief Executive

Since the year end, in order to facilitate the recruitment of Javed Ahmed as Chief Executive, the Remuneration Committee established the following incentive arrangements, which apply only to Mr Ahmed. These were required to compensate Mr Ahmed for significant retention incentives and bonus entitlements he was required to forego with his former employer as a consequence of joining Tate & Lyle. The special compensatory arrangements take the form of a cash payment for the year during which Mr Ahmed joins the Company and a series of special awards of shares in the Company as detailed below.

Mr Ahmed's base salary, which will next be subject to review in April 2010, will be £675,000 per annum. He will participate in the annual cash bonus scheme with threshold, target and maximum bonus payment levels of 10%, 75% and 150%. In the year ending 31 March 2010, Mr Ahmed will, subject to certain conditions, be entitled to a compensatory cash payment, to recognise the value of bonus payments foregone with his former employer, equal to 75% of his base salary, payable on 31 March 2010. His entitlement to bonus under the Tate & Lyle annual cash bonus scheme in that year will be reduced by this compensatory cash payment.

The compensatory awards described below are designed to compensate Mr Ahmed for certain long term incentives given up by him as a consequence of his leaving his former employer and to provide an appropriate degree of performance-based incentivisation for an incoming Chief Executive in the prevailing market and business circumstances of the Company. The long-term incentive awards described below are designed to provide a suitable ongoing incentive during the early years of his career with Tate & Lyle. Unless otherwise stated, all awards are on terms similar to those set out in the Company's Performance Share Plan ('PSP').

### Compensatory awards

Compensatory awards, to compensate for the loss of share benefits relating to Mr Ahmed's previous employment, as follows:

- £1,750,000 worth of shares (determined on the basis of the average of the closing share prices of ordinary shares of Tate & Lyle PLC on each of the five days following the date on which Mr Ahmed joins Tate & Lyle) to be delivered on the second anniversary of that date. Pending delivery of those shares, Mr Ahmed will receive from the Company a payment in lieu of dividend, which will be subject to deduction of tax in the normal fashion, equivalent to any dividend which would otherwise be payable on those shares. In the event of a change of control, all the shares will be delivered as soon as practicable.
- £1,125,000 worth of shares (determined on the same basis) will be delivered subject to the same performance condition as applies to awards made under the PSP in 2008. Performance will be measured and the relevant number of shares released after the performance period ends on 31 March 2011, in parallel with the corresponding releases under the PSP.
- £1,500,000 worth of shares (determined on the same basis) will be delivered subject to the same performance condition as applies to awards which are to be made under the PSP in 2009. Performance will be measured and the relevant number of shares released after the performance period ends on 31 March 2012, in parallel with the corresponding releases under the PSP.

### Long-term incentive awards

- An award of shares ('2009 LTI Award') with a value of £2,025,000, calculated according to the share price applicable to awards which are to be made under the PSP in 2009 ('2009 PSP Awards'). The 2009 LTI Award will be subject to the same performance condition as applies to 2009 PSP Awards. Performance will be measured and the relevant number of shares released after the performance period ends on 31 March 2012, in parallel with the corresponding releases in respect of the 2009 PSP Awards.
- An award of shares ('2010 LTI Award') with a value of three times base salary, calculated according to the share price applicable to the Company's 2010 PSP Awards. The 2010 LTI Award will be subject to the same performance condition as applies to the 2010 PSP Awards. Performance will be measured and the relevant number of shares released after the performance period ends on 31 March 2013, in parallel with the corresponding releases in respect of the 2010 PSP Awards.
- An award of shares ('2011 LTI Award') with a value of three times base salary, calculated according to the share price applicable to the Company's 2011 PSP Awards. The 2011 LTI Award will be subject to the same performance condition as applies to the 2011 PSP Awards. Performance will be measured and the relevant number of shares released after the performance period ends on 31 March 2014, in parallel with the corresponding releases in respect of the 2011 PSP Awards.

### Shareholding requirement

Mr Ahmed is required to accumulate a shareholding in Tate & Lyle equivalent to four times base salary within five years of joining the Company.

### Service agreement

Mr Ahmed has agreed to enter into a service contract with the Company upon his appointment which is in line with the existing contracts with executive directors. That contract will be terminable by the Company on one year's notice and by Mr Ahmed on six months' notice (expiring, in either case, no earlier than the second anniversary of his start date).

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# Independent Auditors' Report to the Members of Tate & Lyle PLC: Group financial statements

We have audited the Group financial statements of Tate & Lyle PLC for the year ended 31 March 2009, which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement, and the Notes to the consolidated financial statements. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Tate & Lyle PLC for the year ended 31 March 2009 and on the information in the directors' remuneration report that is described as having been audited.

**Respective responsibilities of directors and auditors**
The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you as to whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes that specific information presented in the 'What we do' and 'How we performed' sections that are cross-referred from the business review section of the directors' report. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises the 'Overview of the year', the 'What we do', 'How we performed' and the 'How we run the business' sections, the directors' report, the unaudited part of the directors' remuneration report, the ten-year review and the information for investors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

**Opinion**
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the Group financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants and
Registered Auditors
1 Embankment Place
London WC2N 6RH
*27 May 2009*

# Consolidated income statement

| | Notes | 2009 £m | 2008 £m |
|---|---|---|---|
| | | Year to 31 March | |
| Continuing operations | | | |
| Sales | 4, 5 | **3 553** | 2 867 |
| Operating profit | 4, 6 | **164** | 224 |
| Finance income | 10 | **27** | 38 |
| Finance expense | 10 | **(78)** | (80) |
| Profit before tax | | **113** | 182 |
| Income tax expense | 11 | **(19)** | (76) |
| Profit for the year from continuing operations | | **94** | 106 |
| (Loss)/profit for the year from discontinued operations | 12 | **(24)** | 81 |
| Profit for the year | | **70** | 187 |
| Profit/(loss) for the year attributable to: | | | |
| Equity holders of the Company | | **65** | 194 |
| Minority interests | | **5** | (7) |
| | | **70** | 187 |
| | | **pence** | pence |
| Earnings per share attributable to the equity holders of the Company from continuing and discontinued operations | 13 | | |
| Basic | | **14.2** | 40.9 |
| Diluted | | **14.1** | 40.4 |
| Earnings per share attributable to the equity holders of the Company from continuing operations | 13 | | |
| Basic | | **19.5** | 23.8 |
| Diluted | | **19.4** | 23.6 |
| Dividends per share | 14 | | |
| Interim paid | | **6.8** | 6.5 |
| Final proposed | | **16.1** | 16.1 |
| | | **22.9** | 22.6 |

| Analysis of adjusted profit before tax from continuing operations | | **£m** | £m |
|---|---|---|---|
| Statutory profit before tax | | **113** | 182 |
| Add back: | | | |
| Exceptional items | 8 | **119** | 59 |
| Amortisation of acquired intangible assets | 15 | **15** | 12 |
| Adjusted profit before tax, exceptional items and amortisation of acquired intangible assets | | **247** | 253 |

*The notes on pages 103 to 155 form part of these Group financial statements.*

# Consolidated statement of recognised income and expense

| | Notes | 2009 £m | 2008 £m |
|---|---|---|---|
| | | Year to 31 March | |
| Net exchange differences | | **139** | 57 |
| Net actuarial loss on retirement benefit obligations | 31 | **(40)** | (7) |
| Net (loss)/gain on cash flow hedges | 26 | **(25)** | 1 |
| Gain/(loss) on revaluation of available-for-sale financial assets | 18 | **24** | (3) |
| Net income recognised directly in equity | 25 | **98** | 48 |
| Profit for the year | | **70** | 187 |
| Total recognised income and expense for the year | | **168** | 235 |
| Attributable to: | | | |
| Equity holders of the Company | | **157** | 242 |
| Minority interests | | **11** | (7) |
| | | **168** | 235 |

*The notes on pages 103 to 155 form part of these Group financial statements.*

# Consolidated balance sheet

| | Notes | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill and intangible assets | 15 | **374** | 320 |
| Property, plant and equipment | 16 | **1 548** | 1 196 |
| Investments in associates | 17 | **8** | 7 |
| Available-for-sale financial assets | 18 | **11** | 15 |
| Derivative financial instruments | 20 | **34** | 36 |
| Deferred tax assets | 30 | **30** | 1 |
| Trade and other receivables | 23 | **5** | 11 |
| Retirement benefit surplus | 31 | **47** | 53 |
| | | **2 057** | 1 639 |
| **Current assets** | | | |
| Inventories | 22 | **538** | 562 |
| Trade and other receivables | 23 | **723** | 675 |
| Current tax assets | | **6** | 18 |
| Derivative financial instruments | 20 | **213** | 275 |
| Cash and cash equivalents | 34 | **434** | 165 |
| Assets held for sale | 18 | **28** | – |
| | | **1 942** | 1 695 |
| **TOTAL ASSETS** | | **3 999** | 3 334 |
| **SHAREHOLDERS' EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Ordinary share capital | 24 | **115** | 114 |
| Share premium | 24 | **404** | 404 |
| Capital redemption reserve | 25 | **8** | 8 |
| Other reserves | 26 | **219** | 91 |
| Retained earnings | 25 | **241** | 317 |
| | | **987** | 934 |
| Minority interests | 25 | **26** | 16 |
| **TOTAL SHAREHOLDERS' EQUITY** | 25 | **1 013** | 950 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 28 | **11** | 27 |
| Borrowings | 29 | **1 129** | 858 |
| Derivative financial instruments | 20 | **57** | 30 |
| Deferred tax liabilities | 30 | **78** | 107 |
| Retirement benefit obligations | 31 | **258** | 144 |
| Provisions for other liabilities and charges | 32 | **21** | 14 |
| | | **1 554** | 1 180 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **538** | 488 |
| Current tax liabilities | | **77** | 35 |
| Borrowings and bank overdrafts | 29 | **523** | 360 |
| Derivative financial instruments | 20 | **283** | 267 |
| Provisions for other liabilities and charges | 32 | **11** | 54 |
| | | **1 432** | 1 204 |
| **TOTAL LIABILITIES** | | **2 986** | 2 384 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **3 999** | 3 334 |

The Group financial statements were approved by the Board of Directors on 27 May 2009 and signed on its behalf by:

**Sir David Lees, Iain Ferguson, Tim Lodge** Directors

*The notes on pages 103 to 155 form part of these Group financial statements.*

# Consolidated cash flow statement

| | Notes | Year to 31 March 2009 £m | 2008 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | | **113** | 182 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 6 | **112** | 100 |
| Exceptional items | 8 | **119** | 59 |
| Amortisation of intangible assets | 6 | **20** | 15 |
| Share-based payments | 9 | **5** | 7 |
| Finance income | 10 | **(27)** | (38) |
| Finance expense | 10 | **78** | 80 |
| Working capital, non-cash movements and other operating cash | 33 | **31** | (159) |
| Cash generated from continuing operations | | **451** | 246 |
| Interest paid | | **(86)** | (87) |
| Income tax paid | | **(17)** | (75) |
| Cash generated from/(used in) discontinued operations | 12 | **140** | (84) |
| Net cash generated from operating activities | | **488** | – |
| **Cash flows from investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | | **5** | 7 |
| Purchase of available-for-sale financial assets | 18 | **(6)** | (4) |
| Proceeds on disposal of available-for-sale financial assets | | **9** | 4 |
| Interest received | | **30** | 53 |
| Acquisitions of subsidiaries, net of cash and cash equivalents acquired | 38 | **(1)** | (75) |
| Disposal of subsidiaries, net of cash and cash equivalents disposed | 38 | **(4)** | 341 |
| Disposal of joint ventures, net of cash and cash equivalents disposed | 38 | **–** | 42 |
| Disposal of businesses | 38 | **57** | – |
| Purchase of property, plant and equipment | | **(224)** | (264) |
| Purchase of other intangible assets | 15 | **(7)** | (7) |
| Net cash (used in)/generated from investing activities | | **(141)** | 97 |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of ordinary shares | 25 | **3** | 8 |
| Repurchase of ordinary shares | 25 | **–** | (159) |
| Cash inflow from additional borrowings | | **1** | 152 |
| Cash outflow from repayment of borrowings | | **(14)** | (23) |
| Cash outflow from repayment of capital element of finance leases | | **(3)** | (1) |
| Dividends paid to the Company's equity holders | 14 | **(104)** | (105) |
| Dividends paid to minority interests | 25 | **(1)** | (1) |
| Net cash used in financing activities | | **(118)** | (129) |
| Net increase/(decrease) in cash and cash equivalents | 35 | **229** | (32) |
| **Cash and cash equivalents** | | | |
| Balance at beginning of year | | **165** | 189 |
| Effect of changes in foreign exchange rates | | **40** | 8 |
| Net increase/(decrease) in cash and cash equivalents | | **229** | (32) |
| Balance at end of year | 34 | **434** | 165 |

*The notes on pages 103 to 155 form part of these Group financial statements.*

# Notes to the consolidated financial statements

## 1 Presentation of financial statements

### General information

The principal activities of Tate & Lyle PLC are the development, manufacture and marketing of food and industrial ingredients that have been made from renewable resources. The Group operates more than 45 production facilities and in numerous partnerships and joint ventures throughout Europe, the Americas and South East Asia.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The Company has its primary listing on the London Stock Exchange.

### Basis of preparation

These consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRSs) adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and have been prepared in accordance with the Listing Rules of the UK Financial Services Authority and the Companies Act 1985, as applicable to companies reporting under IFRS.

These consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 and under the historical cost convention, except where modified by the revaluation of certain financial instruments and commodities.

These consolidated financial statements are presented in pounds sterling, which is the Group's presentational currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The financial information for the year ended 31 March 2008 is derived from the statutory financial statements for that year, except that the comparative information has been reclassified as a result of the discontinued operations of International Sugar Trading. In addition, certain other comparative information has been restated to conform with the current year presentation.

### Use of adjusted measures

Tate & Lyle presents adjusted profit before tax and adjusted earnings per share information. These measures are used by Tate & Lyle for internal performance analysis and incentive compensation arrangements for employees. The terms 'adjusted' and 'exceptional items' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measurements of profit. The term 'adjusted' refers to the relevant measure being reported, excluding exceptional items and amortisation of intangible assets arising on acquisition of businesses. A reconciliation of statutory to adjusted information is provided in Note 43.

### New IFRS standards and interpretations adopted

From 1 April 2008 the following amendments and interpretations became effective and were adopted by the Group:

- IFRIC12 Service Concession Arrangements
- IFRIC14 – IAS19 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
- Amendments to IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosure on reclassification of financial instruments

The adoption of these amendments and interpretations has not had a significant impact on the Group's profit for the year or equity.

### New IFRS standards and interpretations not adopted

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

- IFRIC13 Customer Loyalty Programmes
- IFRIC15 Agreements for the Construction of Real Estate
- IFRIC16 Hedges of a Net Investment in a Foreign Operation
- Amendment to IFRS2 Share-based Payment – Vesting conditions and cancellations
- Amendment to IFRS7 Financial Instruments: Disclosures – Improving disclosures about financial instruments
- IFRS8 Operating Segments
- Revised IAS1 Presentation of Financial Statements
- Revised IAS23 Borrowing Costs
- Revised IAS27 Consolidated and Separate Financial Statements – Cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendment to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation
- Improvements to International Financial Reporting Standards
- IFRIC17 Distributions of Non-cash Assets to Owners
- IFRIC18 Transfers of Assets from Customers
- Revised IFRS3 Business Combinations and amendment to IAS27 Consolidated and Separate Financial Statements
- Amendment to IAS39 Financial Instruments: Recognition and Measurement – Eligible hedged items

The above standards, amendments, interpretations and improvements in IFRSs are all effective for the Group for the financial year beginning on 1 April 2009, with the exception of IFRIC17, IFRIC18, the revised IFRS3 (and associated amendments to IAS27) and the amendment to IAS39 on eligible hedged items, which will become effective for the Group for the financial year beginning on 1 April 2010. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's profit for those years or equity. The adoptions may affect disclosures in the Group's financial statements.

The parent company, Tate & Lyle PLC, has not adopted IFRS as its statutory reporting basis. Audited financial statements for the parent company, prepared in accordance with UK GAAP, are set out on pages 156 to 163.

## 2 Group accounting policies

### Basis of consolidation

*(a) Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights and taking into account the existence of potential voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The recognised identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All inter-company transactions and balances between Group entities are eliminated on consolidation.

*(b) Joint ventures*

An entity is regarded as a joint venture if the Group has joint control over its operating and financial policies. The Group's interests in jointly-controlled entities are accounted for by proportionate consolidation, whereby the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows are combined on a line-by-line basis with similar items in the Group's financial statements. Where necessary, adjustments are made to the financial statements of joint ventures to bring the accounting policies used into line with those used by the Group. The Group recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an external entity.

*(c) Associates*

An entity is regarded as an associate if the Group has significant influence, but not control, over its operating and financial policies. Significant influence generally exists where the Group holds more than 20% and less than 50% of the shareholders' voting rights. Associates are accounted for under the equity method whereby the Group's income statement includes its share of their profits and losses and the Group's balance sheet includes its share of their net assets. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

### Foreign currency translation

***(a) Functional and presentational currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in pounds sterling, which is the Group's presentational currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

*(c) Group entities*

From 1 April 2004, the results and financial position of all the Group's entities that have a functional currency different from the presentational currency are translated into the presentation currency as follows:

(i) assets and liabilities, including goodwill and fair value adjustments for each balance sheet presented, are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement and cash flows are translated at weighted average exchange rates as a reasonable approximation to the rates prevailing on the transaction dates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

Prior to 1 April 2004, exchange differences were recognised in retained earnings.

On consolidation, exchange differences arising from borrowings and other currency instruments designated as hedges of such investments, are taken to equity.

When a foreign operation is sold, such exchange differences that have accumulated since 1 April 2004 are recognised in the income statement as part of the gain or loss on sale.

### Property, plant and equipment

Land and buildings mainly comprise manufacturing sites and administrative facilities.

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amount of each asset to its residual value over its useful economic life as follows:

| | |
|---|---|
| Freehold land: | No depreciation |
| Freehold buildings: | 20 to 50 years |
| Leasehold property: | Period of the lease |
| Bulk liquid storage tanks: | 12 to 20 years |
| Plant and machinery: | 3 to 28 years |

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 2 Group accounting policies (continued)

During the year the useful lives of certain assets were adjusted, which resulted in a reduction in the depreciation charge of approximately £6 million.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

### Leased assets

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding leasing commitments, net of finance charges, are included in liabilities.

Leasing payments are analysed between capital and interest components so that the interest element is charged to the income statement over the period of the lease at a constant periodic rate of interest on the remaining balance of the liability outstanding.

Depreciation on assets held under finance leases is charged to the income statement.

All other leases are treated as operating leases with annual rentals charged to the income statement, net of any incentives granted to the lessee, over the term of the lease.

### Intangible assets

*(a) Goodwill*

Goodwill is calculated as the difference between the fair value of the consideration exchanged in a business combination, including directly attributable acquisition costs, and the net fair values of the identifiable assets and liabilities acquired and is capitalised. Goodwill is tested for impairment annually and whenever there is an indication of impairment and is carried at cost less accumulated impairment losses.

Where the acquired interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Gains and losses on the disposal of a business component include the carrying amount of goodwill relating to the entity sold.

*(b) Patents and other intellectual property*

Patents and other intellectual property are shown at historical cost less accumulated amortisation and impairment losses. Where the assets are acquired as part of a business combination, historical cost is based on their fair values as at the date of the combination. Amortisation of the assets is recognised on a straight-line basis over the period of their expected benefit.

*(c) Other acquired intangible assets*

Other acquired intangible assets are intangible assets arising on consolidation of acquired businesses and include brands, recipes, customer relationships and supplier networks. Amortisation of the assets is recognised on a straight-line basis over the period of their expected benefit.

*(d) Other intangible assets*

Other intangible assets mainly include certain development expenditure and software costs. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the IAS38 recognition criteria are met. Capitalised development costs are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. Research and other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In addition, assets in the course of construction are not depreciated and are subject to annual impairment review. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets other than goodwill are grouped at the lowest levels for which there are separately identifiable cash inflows. Goodwill is allocated to units representing the lowest level at which goodwill is monitored by the Group's Board of Directors for internal management purposes. Further details are given in Note 3.

### Financial instruments

*(a) Available-for-sale financial assets*

Equity instruments held by the Group and designated as available-for-sale are carried at fair value, with movements in fair value recognised directly in equity. Cumulative fair value gains or losses on an asset are recycled through the income statement when the asset is disposed or impaired. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. Impairments are recognised in the income statement.

*(b) Loans and receivables*

Non-current and current receivables and loans granted are recognised initially at fair value and thereafter carried at amortised cost less provisions for impairment. Movements in carrying value are recognised in the income statement.

*(c) Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Where borrowings are designated as hedged items under fair value hedges, they are subsequently remeasured for fair value changes in respect of the hedged risk with such changes recognised in the income statement. Otherwise, borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*(d) Commodity trading instruments*

Commodity instruments acquired for trading purposes are carried at fair value. Movements in fair value are recognised in the income statement.

**2 Group accounting policies (continued)**

***(e) Commodity and treasury hedging instruments***
Under IAS39, hedging relationships are categorised by type and must meet strict criteria to qualify for hedge accounting.

(i) Cash flow hedges
Hedges of firm commitments and highly probable forecast transactions, including forecast intra-group transactions that are expected to affect consolidated profit or loss, are designated as cash flow hedges. To the extent that movements in the fair values of these instruments effectively offset the underlying risk being hedged they are recognised in the hedging reserve in equity until the period during which the hedged forecast transaction affects profit or loss, at which point the cumulative gain or loss is recognised in the income statement, offsetting the value of the hedged transaction.

(ii) Fair value hedges
Hedges against the movement in fair value of recognised assets and liabilities are designated as fair value hedges. To the extent that movements in the fair values of these instruments effectively offset the underlying risk being hedged they are recognised in the income statement by offset against the hedged transaction.

(iii) Hedges of net investments
Hedges of a net investment in a foreign operation are designated as net investment hedges. To the extent that movements in the fair values of these instruments effectively offset the underlying risk being hedged they are recognised in the translation reserve until the period during which a foreign operation is disposed of or partially disposed of, at which point the cumulative gain or loss is recognised in profit or loss, offsetting the cumulative difference recognised on the translation of the net investment.

Hedge accounting is discontinued at the point when the hedging relationship no longer qualifies for hedge accounting. In the case of cash flow hedging relationships, the cumulative movement in the fair value of the hedging instrument previously recognised in equity up to that point is retained there until the forecast transaction affects profit or loss, unless the hedged transaction is no longer expected to occur, in which case the cumulative movement in fair value is transferred to profit or loss immediately. Movements in the fair value of hedging instruments where the relationship failed to meet the IAS39 hedge accounting criteria or where the movement represents the ineffective portion of a qualifying hedging relationship are recognised in the income statement immediately as other income and expense or net finance expense, as appropriate.

***(f) Embedded derivatives***
Where an embedded derivative is not closely related to the host contract and where the host contract itself is not already recognised at fair value, movements in the fair value of the embedded derivative are separated from the associated transaction and, except where the embedded derivative is designated as a cash flow hedging instrument, recognised in the income statement.

***(g) Fair values***
Fair values are based on market values where they are available. For unlisted securities the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments and discounted cash flow analysis.

Where no market prices are available, the fair value of financial liabilities is calculated with reference to discounted expected future cash flows.

**Inventories**
Inventories are stated at the lower of cost and net realisable value with the exception of certain items of merchandisable agricultural commodities which are stated at market value, in line with regional industry accounting practices.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the 'first in – first out' or weighted average cost methods, appropriate to the materials and production processes involved. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**Cash and cash equivalents**
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts which are not considered to be borrowings in nature.

**Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital and holds that share either directly as treasury shares or indirectly within an ESOP trust, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders. These shares are used to satisfy share options granted to employees under the Group's share option schemes. The trustee of the ESOP trust purchases the Company's shares on the open market using loans made by the Company or other loans guaranteed by the Company.

**Provisions**
Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. If the effect is material, provisions are measured using expected future cash flows discounted at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The impact of unwinding any discount is taken to finance expense.

Provisions are not recognised for future operating losses. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## 2 Group accounting policies (continued)

### Income taxes

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences (except as noted below) and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Revenue recognition

***(a) Sales of goods and services***

Sales comprise the amount receivable in the ordinary course of business, net of value added and sales taxes, for goods and services provided. Sales are recognised at the point or points at which the Group has performed its obligations in connection with the contractual terms of the sales agreement, and in exchange obtains the right to consideration.

***(b) Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method.

***(c) Dividend income***

Dividend income is recognised when the right to receive payment is established.

### Employee benefits

***(a) Pension obligations***

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amounts recognised in the balance sheet in respect of defined benefit pension plans are the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains or losses charged or credited to equity and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity immediately through the statement of other recognised income and expense.

Where the actuarial valuation of a scheme demonstrates that the scheme is in surplus, the recognised asset is limited to that for which the Group expects to benefit in future by refunds or a reduction in contribution.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

***(b) Other post-employment obligations***

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity immediately. These obligations are valued annually by independent qualified actuaries.

**2 Group accounting policies (continued)**

***(c) Share-based compensation***
The Group operates a number of equity-settled, share-based compensation plans. The fair value of employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, earnings targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, for options granted with non-market vesting conditions, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

**Research and development**
Research expenditure is recognised in the income statement in the year in which it is incurred. Development expenditure is recognised in the income statement in the year in which it is incurred unless it is probable that future economic benefits will flow to the Group from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated and there is an intention to complete and utilise the asset. When the recognition criteria are met, development costs are capitalised as an intangible asset and are amortised on a straight-line basis over the estimated useful life from the time the asset is available for use.

**Borrowing costs**
Borrowing costs directly arising from the purchase, construction or production of an asset are capitalised as part of the cost of that asset.

**Exceptional items**
Exceptional items comprise items of income and expense that are material in amount and unlikely to recur and which merit separate disclosure in order to provide an understanding of the Group's underlying financial performance. Examples of events giving rise to the disclosure of material items of income and expense as exceptional items include, but are not limited to, impairment events, disposals of operations or individual assets, litigation claims by or against the Group and the restructuring of components of the Group's operations.

**Government grants**
A government grant is recognised when there is reasonable assurance that any conditions attached to the grant will be satisfied and the grants will be received. A government grant is recognised at its fair value and is accounted for as a deduction against the cost concerned or within other income over the periods necessary to match the grants with the related costs that they are intended to compensate.

**Dividend distribution**
A dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, by the Board of directors.

**Segment reporting**
A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

**Discontinued operations and assets held for sale**
Business components that represent separate major lines of business or geographical areas of operations are recognised as discontinued if the operations have been disposed of, are being abandoned or meet the criteria to be classified as held for sale.

Assets and disposal groups are classified as held for sale if their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year and the asset (or disposal group) is available for immediate sale in its present condition. Operations held for sale are held at the lower of their carrying amount on the date they are classified as held for sale and fair value less costs to sell.

**3 Critical accounting estimates and judgements**

In order to prepare these consolidated financial statements in accordance with the accounting policies set out in Note 2, management has used estimates and judgements to establish the amounts at which certain items are recorded. Critical accounting estimates and judgements are those that have the greatest impact on the financial statements and require the most difficult, subjective and complex judgements about matters that are inherently uncertain. Estimates are based on factors including historical experience and expectations of future events that management believe to be reasonable. However, given the judgemental nature of such estimates, actual results could be different from the assumptions used. The critical accounting estimates and judgements are set out below.

**Impairment of assets**
Asset impairments have the potential to significantly impact income. In order to determine whether impairments are required the Group estimates the recoverable amount of the asset. This calculation is usually based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a current value ('value in use'). The 'fair value less costs to sell' of an asset is used if this results in an amount in excess of 'value in use'.

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the assets in their current condition. Future cash flows therefore exclude benefits from major expansion projects requiring future capital expenditure where that expenditure has not been approved at the balance sheet date.

### 3 Critical accounting estimates and judgements (continued)

Future cash flows are discounted using a discount rate based on the Group's weighted average cost of capital, adjusted if appropriate for circumstances specific to the asset being tested. The weighted average cost of capital is impacted by estimates of interest rates, equity returns and market and country-related risks. The Group's weighted average cost of capital is reviewed on an annual basis.

Further details are set out in Notes 15 and 16.

#### Retirement benefits

Among the range of retirement benefits provided in businesses around the Group are a number of defined benefit pension plans and an unfunded healthcare benefit scheme in the USA. The amounts recorded in the financial statements for both of these types of arrangement are based on a number of assumptions, changes to which could have a material impact on the reported amounts.

Any net deficit or surplus arising on defined benefit plans and the liability under the healthcare plan is shown in the balance sheet. The amount recorded is the difference between plan assets and liabilities at the balance sheet date. Plan assets are based on market value at that date. Plan liabilities, including healthcare liabilities, are based on actuarial estimates of the present value of future pension or other benefits that will be payable to members. The most sensitive assumptions involved in calculating the expected liabilities are mortality rates and the discount rate used to calculate the present value. If the mortality rates assumption changed, a one year increase to longevity at age 60 would increase the liability by £30 million. The main financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. If this assumption increased by 0.1%, the gross plan liabilities would decrease by approximately £13 million.

The income statement generally comprises a regular charge to operating profit and a finance charge, which represents the net of expected income from plan assets and an interest charge on plan liabilities. These calculations are based on expected outcomes at the start of the financial year. The income statement is most sensitive to changes in expected returns from plan assets and the discount rate used to calculate the interest charge on plan liabilities. A 0.1% increase in the assumption of the real discount rate would increase the finance expense by approximately £0.2 million.

Full details of these assumptions, which are based on advice from the Group's actuaries, are set out in Note 31.

#### Provisions

The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Where appropriate, future cash outflows that are expected to arise over a number of years are discounted to a present value using a relevant discount rate.

At the balance sheet date, provisions included amounts for insurance claims payable by the Group's reinsurance company, legal matters, employee termination and other restructuring costs.

Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Further details are set out in Note 32.

#### Taxation

The Group operates in a large number of tax jurisdictions around the world. Tax regulations generally are complex and in some jurisdictions agreeing tax liabilities with local tax authorities can take several years. Consequently, at the balance sheet date, tax liabilities and assets are based on management's best estimate of the future amounts that will be settled. While the Group aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected. Deferred tax assets mainly represent retirement benefit obligations that the Group expects to recover at some time in the future and by their nature the amounts recorded are therefore dependent on management's judgement about future events.

Further details are set out in Notes 11 and 30.

## 4 Segment information

**Primary format – business segments**
Discontinued operations comprise International Sugar Trading, Eastern Sugar, Redpath, Occidente and the disposed European starch plants.

The segment results for the year to 31 March 2009 are as follows:

| | Continuing operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Food & Industrial Ingredients, Americas £m | Food & Industrial Ingredients, Europe £m | Sugars £m | Sucralose £m | Central costs £m | Total £m | Discontinued operations (Note 12) £m | Total from continuing & discontinued operations £m |
| **Sales** | | | | | | | | |
| Total sales | 1 810 | 541 | 1 053 | 169 | – | 3 573 | 874 | 4 447 |
| Inter-segment sales | (13) | (2) | (5) | – | – | (20) | (22) | (42) |
| External sales | 1 797 | 539 | 1 048 | 169 | – | 3 553 | 852 | 4 405 |
| **Operating profit/(loss)** | | | | | | | | |
| Before exceptional items and amortisation of acquired intangible assets | 181 | 51 | 12 | 72 | (18) | 298 | 1 | 299 |
| Exceptional items (Note 8) | (13) | – | (9) | (97) | – | (119) | (22) | (141) |
| Amortisation of acquired intangible assets (Note 15) | (3) | (8) | – | (4) | – | (15) | – | (15) |
| Operating profit/(loss) | 165 | 43 | 3 | (29) | (18) | 164 | (21) | 143 |
| Net finance expense | | | | | | (51) | (2) | (53) |
| Profit/(loss) before tax | | | | | | 113 | (23) | 90 |
| **Segment assets** | 1 723 | 606 | 512 | 272 | 181 | 3 294 | 175 | 3 469 |
| Unallocated assets: | | | | | | | | |
| – cash and cash equivalents | | | | | | | | 434 |
| – debt-related derivative assets | | | | | | | | 60 |
| – current tax assets | | | | | | | | 6 |
| – deferred tax assets | | | | | | | | 30 |
| Total assets | | | | | | | | 3 999 |
| **Segment liabilities** | 537 | 76 | 177 | 29 | 116 | 935 | 171 | 1 106 |
| Unallocated liabilities: | | | | | | | | |
| – corporate borrowings | | | | | | | | 1 652 |
| – debt-related derivative liabilities | | | | | | | | 73 |
| – current tax liabilities | | | | | | | | 77 |
| – deferred tax liabilities | | | | | | | | 78 |
| Total liabilities | | | | | | | | 2 986 |
| **Other segment information** | | | | | | | | |
| Net operating assets | 1 186 | 530 | 335 | 243 | 65 | 2 359 | 4 | 2 363 |
| Capital investments (note a) | 164 | 33 | 31 | 5 | 9 | 242 | – | 242 |
| Depreciation (Note 16) | 55 | 14 | 16 | 25 | 2 | 112 | – | 112 |
| Amortisation of intangible assets (Note 15) | 6 | 9 | – | 5 | – | 20 | – | 20 |
| Impairment charges | 3 | 1 | 10 | 97 | – | 111 | 12 | 123 |
| Share-based payments (Note 9) | 1 | – | 1 | – | 3 | 5 | – | 5 |

(a) Capital investments comprise capital expenditure on property, plant and equipment, intangible assets and investments. These items include amounts arising on acquisition of businesses.

### 4 Segment information (continued)

The segment results for the year to 31 March 2008 are as follows:

| | Continuing operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Food & Industrial Ingredients, Americas £m | Food & Industrial Ingredients, Europe £m | Sugars £m | Sucralose £m | Central costs £m | Total £m | Discontinued operations (Note 12) £m | Total from continuing & discontinued operations £m |
| **Sales** | | | | | | | | |
| Total sales | 1 390 | 470 | 888 | 148 | – | 2 896 | 1 002 | 3 898 |
| Inter-segment sales | (4) | (9) | (16) | – | – | (29) | (51) | (80) |
| External sales | 1 386 | 461 | 872 | 148 | – | 2 867 | 951 | 3 818 |
| **Operating profit/(loss)** | | | | | | | | |
| Before exceptional items and amortisation of acquired intangible assets | 186 | 41 | 33 | 66 | (31) | 295 | 36 | 331 |
| Exceptional items (Note 8) | (12) | (47) | – | – | – | (59) | 60 | 1 |
| Amortisation of acquired intangible assets (Note 15) | (3) | (5) | – | (4) | – | (12) | – | (12) |
| Operating profit/(loss) | 171 | (11) | 33 | 62 | (31) | 224 | 96 | 320 |
| Net finance (expense)/income | | | | | | (42) | 1 | (41) |
| Profit before tax | | | | | | 182 | 97 | 279 |
| **Segment assets** | 1 250 | 601 | 540 | 297 | 58 | 2 746 | 356 | 3 102 |
| Unallocated assets: | | | | | | | | |
| – cash and cash equivalents | | | | | | | | 165 |
| – debt-related derivative assets | | | | | | | | 48 |
| – current tax assets | | | | | | | | 18 |
| – deferred tax assets | | | | | | | | 1 |
| Total assets | | | | | | | | 3 334 |
| **Segment liabilities** | 414 | 112 | 236 | 22 | 15 | 799 | 189 | 988 |
| Unallocated liabilities: | | | | | | | | |
| – corporate borrowings | | | | | | | | 1 218 |
| – debt-related derivative liabilities | | | | | | | | 36 |
| – current tax liabilities | | | | | | | | 35 |
| – deferred tax liabilities | | | | | | | | 107 |
| Total liabilities | | | | | | | | 2 384 |
| **Other segment information** | | | | | | | | |
| Net operating assets | 836 | 489 | 304 | 275 | 43 | 1 947 | 167 | 2 114 |
| Capital investments (note a) | 152 | 112 | 44 | 11 | 7 | 326 | 26 | 352 |
| Depreciation (Note 16) | 42 | 12 | 17 | 27 | 2 | 100 | 7 | 107 |
| Amortisation of intangible assets (Note 15) | 4 | 7 | – | 4 | – | 15 | 1 | 16 |
| Impairment charges | 12 | 17 | – | – | 1 | 30 | – | 30 |
| Share-based payments (Note 9) | 1 | 2 | 1 | – | 3 | 7 | (2) | 5 |

(a) Capital investments comprise capital expenditure on property, plant and equipment, intangible assets and investments. These items include amounts arising on acquisition of businesses.

## 4 Segment information (continued)

### Secondary format – geographical segments

The Group's operations are based in four main geographical areas. The United Kingdom is the home country of the parent. Sales (from continuing operations), assets, and investments in the principal territories are as follows:

| | External sales by destination Year to 31 March | | External sales by origin Year to 31 March | | Segment assets At 31 March | | Capital investments Year to 31 March | |
|---|---|---|---|---|---|---|---|---|
| | **2009 £m** | 2008 £m | **2009 £m** | 2008 £m | **2009 £m** | 2008 £m | **2009 £m** | 2008 £m |
| United Kingdom | **461** | 368 | **710** | 588 | **717** | 746 | **35** | 37 |
| Other European countries | **954** | 836 | **686** | 568 | **645** | 719 | **35** | 136 |
| North America | **1 748** | 1 375 | **1 868** | 1 464 | **1 784** | 1 331 | **167** | 159 |
| Rest of the world | **390** | 288 | **289** | 247 | **323** | 306 | **5** | 20 |
| Total | **3 553** | 2 867 | **3 553** | 2 867 | **3 469** | 3 102 | **242** | 352 |
| Unallocated assets | **–** | – | **–** | – | **530** | 232 | **–** | – |
| **Total** | **3 553** | 2 867 | **3 553** | 2 867 | **3 999** | 3 334 | **242** | 352 |

## 5 Sales from continuing operations

Analysis of sales by category:

| | Notes | Year to 31 March **2009 £m** | 2008 £m |
|---|---|---|---|
| Sales of goods and services (excluding share of sales of joint ventures) | | **3 277** | 2 620 |
| Share of sales of joint ventures | 17 | **276** | 247 |
| **Total** | | **3 553** | 2 867 |

## 6 Operating profit

### Continuing operations

| | Notes | Year to 31 March 2009 £m | 2008 £m |
|---|---|---|---|
| External sales | | **3 553** | 2 867 |
| Staff costs | 9 | **257** | 231 |
| Inventories: | | | |
| – cost of inventories recognised as an expense (included in cost of sales) | | **2 019** | 1 559 |
| – fair value loss/(gain) on derivatives held for trading (included in cost of sales) | | **8** | (16) |
| – impairment of inventory recognised in the year | | **3** | – |
| Depreciation of property, plant and equipment: | | | |
| – owned assets | 16 | **109** | 98 |
| – leased assets | 16 | **3** | 2 |
| Exceptional items | 8 | **119** | 59 |
| Amortisation of intangible assets: | | | |
| – intangible assets arising on acquisition of businesses | 15 | **15** | 12 |
| – other intangible assets | 15 | **5** | 3 |
| Operating lease rentals: | | | |
| – plant and machinery | | **27** | 21 |
| Research and development expenditure | | **28** | 29 |
| Impairment of trade receivables | 23 | **2** | – |
| Reversal of impairment of trade receivables | 23 | **(3)** | – |
| Impairment of property, plant and equipment | | **–** | 1 |
| Government grant income, including Transitional Aid | | **(28)** | (17) |
| Ineffectiveness on derivative financial instruments: | | | |
| – ineffectiveness (gain)/loss on derivatives designated as cash flow hedges | 20 | **(4)** | 2 |
| – ineffectiveness loss on derivatives designated as net investment hedges | 20 | **1** | – |
| Other operating expenses | | **828** | 659 |
| Total | | **3 389** | 2 643 |
| Operating profit from continuing operations | | **164** | 224 |

### Discontinued operations

| | Notes | Year to 31 March 2009 £m | 2008 £m |
|---|---|---|---|
| External sales | 12 | **852** | 951 |
| Staff costs | 9 | **4** | 32 |
| Inventories: | | | |
| – cost of inventories recognised as an expense (included in cost of sales) | | **811** | 678 |
| – fair value loss on derivatives held for trading (included in cost of sales) | | **–** | 39 |
| Depreciation of property, plant and equipment: | | | |
| – owned assets | | **–** | 7 |
| Exceptional items | 8 | **22** | (60) |
| Impairment of trade receivables | 23 | **3** | – |
| Amortisation of intangible assets: | | | |
| – other intangible assets | | **–** | 1 |
| Operating lease rentals: | | | |
| – plant and machinery | | **–** | 1 |
| Research and development expenditure | | **–** | 3 |
| Other operating expenses | | **33** | 154 |
| Total | | **873** | 855 |
| Operating (loss)/profit from discontinued operations | 12 | **(21)** | 96 |

## 7 Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors as detailed below:

| | Year to 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | **0.7** | 0.7 |
| Fees payable to the Company's auditors and its associates for other services: – the audit of the Company's subsidiaries, pursuant to legislation | **1.5** | 1.3 |
| Total audit fees | **2.2** | 2.0 |
| Other services pursuant to legislation | **0.1** | 0.3 |
| Other services relating to corporate finance transactions entered into or proposed to enter into | **–** | 0.3 |
| All other services | **0.1** | 0.1 |
| **Total** | **2.4** | 2.7 |

In addition to the above, fees totalling £0.1 million (2008 – £0.1 million) were paid to the Company's auditors in respect of certain of the audit of Group pension schemes.

## 8 Exceptional items

Exceptional items are as follows:

| | Year to 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| **Continuing operations** | | |
| Write-down of assets (note a) | **(24)** | – |
| Settlement with Mexican government (note b) | **11** | – |
| Impairment charges (note c) | **(106)** | (29) |
| Restructuring costs (note e) | **–** | (30) |
| **Total** | **(119)** | (59) |
| **Discontinued operations** | | |
| Loss on disposal – International Sugar Trading (note d) | **(22)** | – |
| Loss on disposal – European starch plants (note e) | **–** | (8) |
| Gain on disposal – Redpath (note f) | **–** | 60 |
| Gain on disposal – Occidente (note f) | **–** | 8 |
| **Total** | **(22)** | 60 |

(a) The Group wrote off £24 million in relation to a dispute with a supplier over the performance and suitability of certain equipment. Of the £24 million, £6 million had previously been reported within property, plant and equipment and £18 million within prepayments. These assets relate to operations reported in the Food & Industrial Ingredients, Americas segment.

(b) As a result of a settlement of a dispute with the Mexican government over tax on soft drinks containing HFCS, Almidones Mexicanos SA, the Group's joint venture in Mexico, received £22 million, of which the Group's share is £11 million, as compensation for lost revenue. The business is reported in the Food & Industrial Ingredients, Americas segment.

(c) The decision to mothball the Sucralose manufacturing facilities at McIntosh resulted in an impairment charge of £97 million being recognised in the year ended 31 March 2009.

Following a review of its sugar refining business in Israel, an impairment charge of £9 million relating to property, plant and equipment was recognised in the year ended 31 March 2009. The sugar refining business in Israel is reported in the Sugars segment.

The Group also recognised an impairment charge of £17 million on its monosodium glutamate business in China in the year ended 31 March 2008. £10 million of this impairment related to minority interests. The impairment was reported in the Food & Industrial Ingredients, Europe segment.

Following a review of the global citric acid business in the year to 31 March 2008, an impairment charge of £12 million relating to property, plant and equipment was recognised. The citric acid business is reported in the Food & Industrial Ingredients, Americas segment.

(d) During the year the Group recorded a loss of £22 million in relation to the disposal of its International Sugar Trading business (Note 38). The loss is net of a gain of £4 million arising from the disposal of an available-for-sale investment held in connection with the business. This business was previously reported in the Sugars segment.

## 8 Exceptional items (continued)

(e) In the year to 31 March 2008, the overall net loss on disposal of the European starch plants in France, Belgium, Italy, Spain and the UK was £38 million, comprising £30 million of redundancy and other restructuring costs within continuing operations, and a net loss of £8 million in discontinued operations. The restructuring costs resulted from the significant reduction in central support functions required by the retained Food & Industrial Ingredients, Europe business.

(f) In the year to 31 March 2008 the Group disposed of its shareholding of Tate & Lyle Canada Limited (Redpath) and its Mexican cane sugar business, Occidente, resulting in profits on disposal of £60 million and £8 million respectively. Both businesses were previously reported in the Sugars segment.

The tax impact on continuing net exceptional items is a £44 million credit (2008 – £5 million credit) and on total net exceptional items is a £44 million credit (2008 – £3 million charge). Tax credits on exceptional items are only recognised to the extent that losses incurred will result in tax recoverable in the future.

## 9 Staff costs

Staff costs for the Group during the year were as follows:

| | **Year to 31 March 2009** | | Year to 31 March 2008 | |
|---|---|---|---|---|
| | **Continuing operations £m** | **Discontinued operations £m** | Continuing operations £m | Discontinued operations £m |
| Wages and salaries | **215** | **4** | 191 | 27 |
| Social security costs | **22** | **–** | 17 | 7 |
| Other pension costs: | | | | |
| – defined benefit schemes | **12** | **–** | 13 | 1 |
| – defined contribution schemes | **1** | **–** | 1 | – |
| – retirement healthcare benefits | **2** | **–** | 2 | (1) |
| Share-based payments | **5** | **–** | 7 | (2) |
| **Total** | **257** | **4** | 231 | 32 |

The average number of people employed by the Group, excluding associates' employees and including a proportionate share of people employed by joint ventures, is set out below. As required by the Companies Act 1985, this includes part-time employees:

| By business segment | Year to 31 March **2009** | 2008 |
|---|---|---|
| Food & Industrial Ingredients, Americas | **2 512** | 2 390 |
| Food & Industrial Ingredients, Europe | **1 998** | 2 822 |
| Sugars | **1 359** | 2 126 |
| Sucralose | **262** | 256 |
| Central | **278** | 270 |
| **Total** | **6 409** | 7 864 |

Included in the above numbers are 52 (2008 – 1,531) employees relating to discontinued operations, where 52 (2008 – 856) were employed by Sugars and nil (2008 – 675) by Food & Industrial Ingredients, Europe.

The number of people employed by the Group at 31 March 2009 was 5,718 (2008 – 6,488).

### Key management compensation

| | Year to 31 March **2009 £m** | 2008 £m |
|---|---|---|
| Salaries and short-term employee benefits | **3** | 4 |
| Post-employment benefits | **1** | 1 |
| Share-based payments | **1** | 2 |
| Share option gains | **–** | 2 |
| Termination benefits | **2** | – |
| **Total** | **7** | 9 |

Key management are represented by the Group Executive Committee, which was formed on 1 July 2008 replacing the Group Management Committee. The Group Executive Committee as detailed on page 62 consists of the Company's executive directors, details of whose remuneration are given in the directors' remuneration report on pages 84 to 96, the Company Secretary and General Counsel, the Presidents of the four business divisions and the President, Global R&D.

The aggregate emoluments of directors in respect of qualifying services to the Company were £4 million (2008 – £4 million).

## 10 Finance income and finance expense

| Continuing | Notes | 2009 £m | 2008 £m |
|---|---|---|---|
| | | Year to 31 March | |
| **Finance income** | | | |
| Interest receivable | | **27** | 34 |
| Net finance income arising on defined benefit retirement schemes: | | | |
| – interest cost | 31 | **–** | (67) |
| – expected return on plan assets | 31 | **–** | 71 |
| Total finance income | | **27** | 38 |
| **Finance expense** | | | |
| Interest payable on bank borrowings | | **(15)** | (6) |
| Interest payable on other borrowings | | **(55)** | (69) |
| Net finance expense arising on defined benefit retirement schemes: | | | |
| – interest cost | 31 | **(79)** | – |
| – expected return on plan assets | 31 | **76** | – |
| Unwinding of discounts in provisions | | **(1)** | (1) |
| Finance lease charges | | **(3)** | (3) |
| Fair value gains on interest-related derivative financial instruments: | | | |
| – Interest rate swaps – fair value hedges | | **30** | 16 |
| – Derivatives not designated as hedges | | **1** | 1 |
| Fair value adjustment of borrowings attributable to interest rate risk | | **(32)** | (18) |
| Total finance expense | | **(78)** | (80) |
| Net finance expense | | **(51)** | (42) |

Finance expense is shown net of borrowing costs capitalised into the cost of assets of £11 million (2008 – £8 million) at a capitalisation rate of 5.0% (2008 – 5.4%).

Interest payable on other borrowings includes £0.2 million (2008 – £0.2 million) of dividends in respect of the Group's 6.5% cumulative preference shares.

**Discontinued**
Included within the loss for the year in relation to discontinued operations (Note 12) is net finance expense of £2 million (2008 – net finance income of £1 million).

## 11 Income tax expense

### Analysis of charge for the year

| Continuing | 2009 £m | 2008 £m |
|---|---|---|
| | Year to 31 March | |
| Current tax: | | |
| – In respect of the current year | | |
| – UK | **–** | – |
| – Overseas | **70** | 87 |
| – Adjustments in respect of previous years | **(14)** | (4) |
| | **56** | 83 |
| Deferred tax | **(37)** | (7) |
| Income tax expense | **19** | 76 |

The income tax expense on continuing operations in the year to 31 March 2009 of £19 million (2008 – £76 million) includes a credit of £44 million in respect of exceptional items (2008 – £5 million credit).

**Discontinued**
The income tax expense in respect of discontinued operations (Note 12) in the year to 31 March 2009 is £1 million (2008 – £16 million).

### 11 Income tax expense (continued)

**Tax on items recognised directly in equity**

| | Year to 31 March 2009 £m | 2008 £m |
|---|---|---|
| Deferred tax charge on share-based payments | **4** | 3 |
| Deferred tax (credit)/charge on retirement benefits | **(31)** | 10 |
| Deferred tax credit on financial instruments | **(9)** | – |
| Deferred tax credit on foreign exchange | **–** | (1) |
| Current tax credit on foreign exchange | **–** | (21) |
| **Total** | **(36)** | (9) |

The effective tax rate for the year, calculated on the basis of the total income tax expense relating to continuing operations as a proportion of profit before tax, is 16.8% (2008 – 41.8%). This compares with the standard rate of corporation tax in the United Kingdom of 28% (2008 – 30%) as follows:

| | Year to 31 March 2009 £m | 2008 £m |
|---|---|---|
| Profit before tax | **113** | 182 |
| Corporation tax charge thereon at 28% (2008 – 30%) | **32** | 55 |
| Adjusted for the effects of: | | |
| – exceptional items | **3** | 13 |
| – expenses not deductible for tax purposes | **2** | (1) |
| – losses not recognised | **29** | 18 |
| – adjustments to tax in respect of previous periods | **(7)** | (7) |
| – different tax rates applied on overseas earnings | **(40)** | (2) |
| **Total** | **19** | 76 |

The effective tax rate relating to continuing operations on profit before exceptional items and amortisation is 27.3% (2008 – 33.2%).

### 12 Discontinued operations

On 2 July 2008, the Group reached an agreement for the sale of its International Sugar Trading operations to Bunge Limited. Accordingly, the results of the International Sugar Trading operations are presented as discontinued operations for the years ended 31 March 2009 and 31 March 2008.

Following an extensive review of the impact of the new EU Sugar Regime, the Group's Eastern Sugar joint venture ceased processing beets by March 2007 and renounced its sugar quotas in Hungary, Czech Republic and Slovakia in return for Restructuring Aid. Accordingly, the results of Eastern Sugar are presented as discontinued operations for the years ended 31 March 2009 and 31 March 2008.

Discontinued operations in the year ended 31 March 2008 also include the results of the starch facilities in the UK, Belgium, France, Spain and Italy (disposed of on 1 October 2007), Redpath (sold on 22 April 2007) and Occidente (sold on 28 December 2007).

## 12 Discontinued operations (continued)

**Year to 31 March 2009**

| | Notes | **Sugar Trading £m** | **Redpath £m** | **Eastern Sugar £m** | **European Starch Plants £m** | **Occidente £m** | **Total £m** |
|---|---|---|---|---|---|---|---|
| Sales | | **852** | **–** | **–** | **–** | **–** | **852** |
| Operating (loss)/profit before exceptional items | | **(1)** | **–** | **2** | **–** | **–** | **1** |
| Exceptional items | 8 | **(22)** | **–** | **–** | **–** | **–** | **(22)** |
| Operating (loss)/profit | | **(23)** | **–** | **2** | **–** | **–** | **(21)** |
| Finance income | | **4** | **–** | **2** | **–** | **–** | **6** |
| Finance expense | | **(8)** | **–** | **–** | **–** | **–** | **(8)** |
| (Loss)/profit before tax | | **(27)** | **–** | **4** | **–** | **–** | **(23)** |
| Income tax expense | | **–** | **–** | **(1)** | **–** | **–** | **(1)** |
| (Loss)/profit for the year | | **(27)** | **–** | **3** | **–** | **–** | **(24)** |

Year to 31 March 2008

| | Notes | Sugar Trading £m | Redpath £m | Eastern Sugar £m | European Starch Plants £m | Occidente £m | Total £m |
|---|---|---|---|---|---|---|---|
| Sales | | 557 | 11 | 31 | 308 | 44 | 951 |
| Operating (loss)/profit before exceptional items | | (9) | – | 5 | 38 | 2 | 36 |
| Exceptional items | 8 | – | 60 | – | (8) | 8 | 60 |
| Operating (loss)/profit | | (9) | 60 | 5 | 30 | 10 | 96 |
| Finance income | | – | – | 2 | – | 1 | 3 |
| Finance expense | | – | – | – | (1) | (1) | (2) |
| (Loss)/profit before tax | | (9) | 60 | 7 | 29 | 10 | 97 |
| Income tax expense (note a) | | – | – | (1) | (7) | (8) | (16) |
| (Loss)/profit for the year | | (9) | 60 | 6 | 22 | 2 | 81 |

(a) Income tax expense in Occidente in the year to 31 March 2008 included an £8 million charge in respect of exceptional items.

Net cash flows from discontinued operations are as follows:

**Year to 31 March 2009**

| | **Sugar Trading £m** | **Redpath £m** | **Eastern Sugar £m** | **European Starch Plants £m** | **Occidente £m** | **Total £m** |
|---|---|---|---|---|---|---|
| Net cash generated from operating activities | **87** | **–** | **53** | **–** | **–** | **140** |
| Net cash generated from investing activities | **62** | **–** | **4** | **–** | **–** | **66** |

Year to 31 March 2008

| | Sugar Trading £m | Redpath £m | Eastern Sugar £m | European Starch Plants £m | Occidente £m | Total £m |
|---|---|---|---|---|---|---|
| Net cash (used in)/generated from operating activities | (120) | (8) | 22 | 22 | – | (84) |
| Net cash generated from/(used in) investing activities | – | – | 1 | (23) | (2) | (24) |

There were no cash flows used in or generated from financing activities in the years ended 31 March 2009 or 31 March 2008.

## 13 Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held in the Employee Share Ownership Trust or in Treasury.

| | Year to 31 March 2009 | | | Year to 31 March 2008 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| Profit/(loss) attributable to equity holders of the Company (£million) | **89** | **(24)** | **65** | 113 | 81 | 194 |
| Weighted average number of ordinary shares in issue (millions) | **456.5** | **456.5** | **456.5** | 474.7 | 474.7 | 474.7 |
| Basic earnings per share | **19.5p** | **(5.3)p** | **14.2p** | 23.8p | 17.1p | 40.9p |

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. Potential dilutive ordinary shares arise from share options. For these, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

| | Year to 31 March 2009 | | | Year to 31 March 2008 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| Profit/(loss) attributable to equity holders of the Company (£million) | **89** | **(24)** | **65** | 113 | 81 | 194 |
| Weighted average number of diluted shares in issue (millions) | **459.8** | **459.8** | **459.8** | 480.4 | 480.4 | 480.4 |
| Diluted earnings per share | **19.4p** | **(5.3)p** | **14.1p** | 23.6p | 16.8p | 40.4p |

The adjustment for the dilutive effect of share options at 31 March 2009 was 3.3 million shares (2008 – 5.7 million shares).

### Adjusted earnings per share

Adjusted earnings per share is stated excluding exceptional items and amortisation of acquired intangible assets as follows:

| | | Year to 31 March | |
|---|---|---|---|
| **Continuing operations** | Notes | **2009** | 2008 |
| Profit attributable to equity holders of the Company (£million) | | **89** | 113 |
| Adjustments: | | | |
| – exceptional items | 8 | **119** | 59 |
| – amortisation of acquired intangible assets | 15 | **15** | 12 |
| – tax effect of the above adjustments | | **(49)** | (8) |
| – minority interest share of exceptional items | | **–** | (10) |
| Adjusted profit (£million) | | **174** | 166 |
| Adjusted basic earnings per share from continuing operations | | **38.2p** | 35.0p |
| Adjusted diluted earnings per share from continuing operations | | **38.0p** | 34.6p |

## 14 Dividends

| | Year to 31 March 2009 | 2008 |
|---|---|---|
| Dividends paid on ordinary equity shares: | | |
| – final paid relating to prior year (£million) | **73** | 74 |
| – interim paid relating to current year (£million) | **31** | 31 |
| Total dividend paid (£million) | **104** | 105 |
| The total ordinary dividend is 22.9p (2008 – 22.6p) made up as follows: | | |
| – interim dividend paid | **6.8p** | 6.5p |
| – final dividend proposed | **16.1p** | 16.1p |
| | **22.9p** | 22.6p |

The final dividend proposed for the year, which has not been recognised as a liability, will be paid subject to approval by shareholders at the Company's Annual General Meeting on 23 July 2009 to shareholders who are on the Register of Members on 3 July 2009.

## 15 Goodwill and intangible assets

| | Notes | Goodwill £m | Patents £m | Other acquired intangible assets £m | Total acquired intangibles £m | Other intangible assets £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2008 | | 202 | 33 | 108 | 343 | 22 | 365 |
| Businesses acquired | 38 | 1 | – | – | 1 | – | 1 |
| Additions at cost | | – | – | – | – | 7 | 7 |
| Businesses sold | | – | – | – | – | (1) | (1) |
| Exchange and other movements | | 37 | – | 24 | 61 | 6 | 67 |
| **At 31 March 2009** | | **240** | **33** | **132** | **405** | **34** | **439** |
| **Accumulated amortisation and impairments** | | | | | | | |
| At 1 April 2008 | | 8 | 16 | 15 | 39 | 6 | 45 |
| Businesses sold | | – | – | – | – | (1) | (1) |
| Amortisation charge | | – | 4 | 11 | 15 | 5 | 20 |
| Exchange and other movements | | (8) | – | 5 | (3) | 4 | 1 |
| **At 31 March 2009** | | **–** | **20** | **31** | **51** | **14** | **65** |
| **Net book value at 31 March 2009** | | **240** | **13** | **101** | **354** | **20** | **374** |
| **Cost** | | | | | | | |
| At 1 April 2007 | | 167 | 32 | 44 | 243 | 38 | 281 |
| Businesses acquired | 38 | 36 | – | 52 | 88 | – | 88 |
| Additions at cost | | – | – | – | – | 7 | 7 |
| Businesses sold | 38 | (15) | – | – | (15) | (26) | (41) |
| Exchange and other movements | | 14 | 1 | 12 | 27 | 3 | 30 |
| At 31 March 2008 | | 202 | 33 | 108 | 343 | 22 | 365 |
| **Accumulated amortisation and impairments** | | | | | | | |
| At 1 April 2007 | | 8 | 12 | 6 | 26 | 23 | 49 |
| Businesses sold | 38 | – | – | – | – | (24) | (24) |
| Amortisation charge | | – | 4 | 8 | 12 | 4 | 16 |
| Impairment charge (note a) | | – | – | – | – | 1 | 1 |
| Exchange and other movements | | – | – | 1 | 1 | 2 | 3 |
| At 31 March 2008 | | 8 | 16 | 15 | 39 | 6 | 45 |
| Net book value at 31 March 2008 | | 194 | 17 | 93 | 304 | 16 | 320 |

### 15 Goodwill and intangible assets (continued)

a) The impairment charge in the year to 31 March 2008 related to Orsan China and is included within continuing exceptional items in the income statement.

**Goodwill**

The carrying amounts of goodwill by business segment are as follows:

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Food & Industrial Ingredients, Americas (note a) | **77** | 57 |
| Food & Industrial Ingredients, Europe (note b) | **161** | 136 |
| Sugars | **2** | 1 |
| **Total** | **240** | 194 |

Goodwill is tested for impairment annually and whenever there is an indication of impairment. Unless otherwise stated, impairment reviews are carried out in accordance with the methodology set out in Notes 2 and 3.

(a) Goodwill in the Food & Industrial Ingredients, Americas segment of £77 million includes £63 million (2008 – £47 million) relating to the Staley acquisition, which is treated as one cash generating unit (CGU) for impairment testing purposes as the business is managed as one entity and it is therefore not appropriate to allocate goodwill to individual plants. Cash flows used were based on the latest approved plans for five years discounted using a pre-tax rate of 11% (2008 – 11%).

The remaining goodwill relates to Continental Custom Ingredients, which was acquired in 2006. This business has also been tested for impairment using management projections of cash flows for five years and a pre-tax discount rate of 11% (2008 – 11%). In both cases zero growth was assumed in perpetuity. Management has concluded that no impairment is required for either business.

(b) Goodwill in the Food & Industrial Ingredients, Europe segment of £161 million includes £91 million (2008 – £76 million) relating to the acquisition in 2000 of the minority of 34% of shares of the former Amylum business. Although cash flows have been identified for certain individual plants for the purposes of assessing the recoverable amounts of property, plant and equipment (as described in Note 16) the business is managed as a network, with a large amount of interdependency between plants and centralised decision-making. Consequently, goodwill is monitored at a divisional level and allocated to a group of plant CGUs for the purposes of impairment testing. The remaining goodwill in the former Amylum business has been tested for impairment using management projections of cash flows for five years and a pre-tax discount rate of 11% (2008 – 10%). Zero growth was assumed in perpetuity. Management has concluded that no impairment is required.

In addition, goodwill includes £42 million (2008 – £36 million) relating to the acquisition of G.C. Hahn & Co in June 2007. This business has been tested for impairment using management projections of cash flows for five years and a pre-tax discount rate of 11% (2008 – 11%). Zero growth was assumed in perpetuity. Management has concluded that no impairment is required.

The remaining goodwill relates to a number of smaller acquisitions, each of which has been tested for impairment using management projections for five years, pre-tax discount rates of 11% (2008 – 10% to 11%), and zero growth assumed in perpetuity. Management has concluded that no impairment is required.

### 16 Property, plant and equipment

| | Land and buildings £m | Plant and machinery £m | Assets in the course of construction £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2008 | 466 | 1 815 | 222 | 2 503 |
| Additions at cost | 6 | 15 | 208 | 229 |
| Transfers on completion | 27 | 134 | (161) | – |
| Businesses sold | (6) | (32) | – | (38) |
| Disposals and write-offs | (18) | (37) | (6) | (61) |
| Exchange and other movements | 116 | 499 | 82 | 697 |
| **At 31 March 2009** | **591** | **2 394** | **345** | **3 330** |
| **Accumulated depreciation and impairments** | | | | |
| At 1 April 2008 | 219 | 1 088 | – | 1 307 |
| Depreciation charge | 18 | 94 | – | 112 |
| Impairment losses | 18 | 87 | 1 | 106 |
| Businesses sold | (4) | (32) | – | (36) |
| Disposals and write-offs | (15) | (34) | – | (49) |
| Exchange and other movements | 52 | 290 | – | 342 |
| **At 31 March 2009** | **288** | **1 493** | **1** | **1 782** |
| **Net book value at 31 March 2009** | **303** | **901** | **344** | **1 548** |

**16 Property, plant and equipment (continued)**

| | Land and buildings £m | Plant and machinery £m | Assets in the course of construction £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2007 | 546 | 2 209 | 288 | 3 043 |
| Additions at cost | 19 | 128 | 136 | 283 |
| Transfers on completion | 15 | 161 | (176) | – |
| Additions through business combinations | 5 | 4 | 3 | 12 |
| Businesses sold | (117) | (669) | (32) | (818) |
| Disposals | (14) | (72) | (1) | (87) |
| Exchange and other movements | 12 | 54 | 4 | 70 |
| At 31 March 2008 | 466 | 1 815 | 222 | 2 503 |
| **Accumulated depreciation and impairments** | | | | |
| At 1 April 2007 | 285 | 1 541 | – | 1 826 |
| Depreciation charge | 13 | 94 | – | 107 |
| Impairment losses | – | 23 | – | 23 |
| Businesses sold | (78) | (541) | – | (619) |
| Disposals | (9) | (71) | – | (80) |
| Exchange and other movements | 8 | 42 | – | 50 |
| At 31 March 2008 | 219 | 1 088 | – | 1 307 |
| Net book value at 31 March 2008 | 247 | 727 | 222 | 1 196 |

Additions to fixed assets includes capitalised borrowing costs of £11 million (2008 – £8 million).

**Impairment losses**

It is the Group's policy to test assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

***(a) Impact of changes to the EU Sugar Regime***

The Group continues to monitor the impact of the announced changes to the EU Sugar Regime, which were implemented in July 2006 and significantly reduce both EU refined sugar prices, raw sugar prices, and EU subsidised exports of sugar.

The UK and Portuguese Sugars businesses are impacted by the changes to the EU Sugar Regime. Management's impairment review of these businesses was based on internal forecasts of future cash flows for the next five years, a pre-tax discount rate of 11% (2008 – 11%) and a zero growth rate assumed in perpetuity. This did not result in an impairment in either the year ended 31 March 2009 or 31 March 2008.

Food & Industrial Ingredients, Europe is a major supplier of sweeteners which operates in competition to sugar throughout Europe. Following the disposal of five European starch plants in October 2007, the Group carried out an impairment review in respect of the remaining cash generating units at 31 March 2009. The recoverable amount was based on value in use, calculated based on estimated future cash flows using management's internal forecasts of future margins for the next five years. The pre-tax discount rate used was 11% (2008 – 10%) and a zero growth rate assumed in perpetuity. Taking all factors into account management concluded that no further impairment or reversal of previous impairments was required.

***(b) Other impairment reviews***

Following the decision to mothball the McIntosh, Alabama facility and produce all sucralose at the Singapore facility, the Group has recognised a charge of £97 million in the year ended 31 March 2009, reflecting the impairment of the carrying value of the McIntosh facility.

The Group has also carried out a review of its sugar refining operation in Israel. The recoverable amount was based on value in use, calculated based on management's internal forecasts of future cash flows for the remainder of the operation's contractual life and a pre-tax discount rate of 13%. An impairment of £9 million was recognised in the year.

The Group has carried out a review of its global citric acid business as a result of intense competition from Chinese exports and oversupply in the world market. The recoverable amount was based on value in use, calculated based on management's internal forecasts of future cash flows for the next ten years (to cover the period when protection from Chinese imports ends), a pre-tax discount rate of 11% (2008 – 12%). An impairment of £12 million was recognised in the prior year; no further impairment or reversal is required.

**Leased assets**

Included in property, plant and equipment is plant and machinery held under finance leases with a net book value of £16 million (2008 – £22 million). During the year ended 31 March 2009, £1 million of additions were recognised on the inception of finance leases (2008 – £2 million) and £10 million of impairment losses related to leased assets of the Sucralose facility in McIntosh, Alabama.

## 17 Investments in associates and joint ventures

| Associates | Total £m |
|---|---|
| At 1 April 2007 and at 31 March 2008 | 7 |
| Exchange and other movements | 1 |
| **At 31 March 2009** | **8** |

The Group's associates, which are accounted for under the equity method, are listed in Note 42.

The Group owns an overall holding of 14% in Microbia Precision Engineering Inc. The Group considers the investment to be an associate due to the Group's ability to exercise significant influence over the company.

The amounts equity accounted in the Group income statement and balance sheet are summarised below:

| Income statement | Year to 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Sales | **2** | 2 |
| Expenses | **(2)** | (2) |
| Profit before tax | **–** | – |
| Income tax expense | **–** | – |
| **Profit for the year** | **–** | – |

| Balance sheet | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Assets | **14** | 19 |
| Liabilities | **6** | 12 |
| Net assets | **8** | 7 |

**Joint ventures**
The Group's joint ventures are proportionately consolidated and the continuing businesses are listed in Note 42. The amounts proportionately consolidated in the Group income statement and balance sheet are summarised below:

| Income statement | **Year to 31 March 2009** | | Year to 31 March 2008 | |
|---|---|---|---|---|
| | **Continuing operations £m** | **Discontinued operations £m** | Continuing operations £m | Discontinued operations £m |
| Sales | **276** | **–** | 247 | 107 |
| Other (expense)/income | **(236)** | **4** | (227) | (91) |
| Profit before tax | **40** | **4** | 20 | 16 |
| Income tax expense | **(11)** | **(1)** | (6) | (10) |
| Profit for the year | **29** | **3** | 14 | 6 |

## 17 Investments in associates and joint ventures (continued)

**Balance sheet**

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| **Assets** | | |
| Non-current assets | **215** | 160 |
| Cash and cash equivalents | **43** | 51 |
| Other current assets | **170** | 184 |
| | **428** | 395 |
| **Liabilities** | | |
| Non-current borrowings | **5** | 4 |
| Other non-current liabilities | **11** | 28 |
| Current borrowings | **30** | 41 |
| Other current liabilities | **49** | 44 |
| | **95** | 117 |
| **Net assets** | **333** | 278 |

The Group's proportionate interest in joint ventures' commitments and contingent liabilities was £nil million (2008 – £nil million).

## 18 Available-for-sale financial assets

| | £m |
|---|---|
| At 1 April 2007 | 18 |
| Additions | 4 |
| Disposals | (4) |
| Fair value losses | (3) |
| At 31 March 2008 | 15 |
| Additions | 6 |
| Disposals | (6) |
| Fair value gains | 24 |
| **At 31 March 2009** | **39** |
| **Presented in the balance sheet as follows:** | |
| Non-current available-for-sale financial assets | **11** |
| Current asssets held for sale | **28** |
| | **39** |

Available-for-sale financial assets comprise £39 million (2008 – £15 million) of unlisted securities. The fair values of unlisted securities are based on cash flows discounted using a risk-adjusted average discount rate of 11% (2008 – 10%).

The carrying value of the available-for-sale financial assets are denominated in the following currencies:

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Saudi riyal (note a) | **23** | 5 |
| US dollar (note b) | **9** | 5 |
| Sterling | **5** | 2 |
| Euro | **2** | 3 |
| Total | **39** | 15 |

(a) Saudi riyal comprises £23 million (2008 – £ nil million) of assets classified as held for sale in current assets.

(b) US dollar comprises £5 million (2008 – £ nil million) of assets classified as held for sale in current assets.

## 19 Financial instruments by category

Set out below is a comparison by category of carrying values and fair values of all of the Group's financial assets and financial liabilities as at 31 March 2009 and 31 March 2008.

| | | | | | | | 31 March 2009 |
|---|---|---|---|---|---|---|---|
| | Notes | Amortised cost £m | Derivatives and other items at fair value £m | Held for trading £m | Available-for-sale £m | Total carrying value £m | Fair value £m |
| Available-for-sale financial assets (including held for sale) | 18 | – | – | – | 39 | 39 | 39 |
| Trade and other receivables | 23 | 687 | – | – | – | 687 | 687 |
| Cash and cash equivalents | 34 | 434 | – | – | – | 434 | 434 |
| Derivative financial instruments – assets | 20 | – | 69 | 178 | – | 247 | 247 |
| Borrowings | 29 | (1 187) | (465) | – | – | (1 652) | (1 753) |
| Derivative financial instruments – liabilities | 20 | – | (116) | (224) | – | (340) | (340) |
| Trade and other payables | 28 | (522) | – | – | – | (522) | (522) |
| Total | | (588) | (512) | (46) | 39 | (1 107) | (1 208) |

| | | | | | | | 31 March 2008 |
|---|---|---|---|---|---|---|---|
| | Notes | Amortised cost £m | Derivatives and other items at fair value £m | Held for trading £m | Available-for-sale £m | Total carrying value £m | Fair value £m |
| Available-for-sale financial assets | 18 | – | – | – | 15 | 15 | 15 |
| Trade and other receivables | 23 | 623 | – | – | – | 623 | 623 |
| Cash and cash equivalents | 34 | 165 | – | – | – | 165 | 165 |
| Derivative financial instruments – assets | 20 | – | 52 | 259 | – | 311 | 311 |
| Borrowings | 29 | (851) | (367) | – | – | (1 218) | (1 283) |
| Derivative financial instruments – liabilities | 20 | – | (46) | (251) | – | (297) | (297) |
| Trade and other payables | 28 | (472) | – | – | – | (472) | (472) |
| Total | | (535) | (361) | 8 | 15 | (873) | (938) |

Trade and other receivables presented above excludes £41 million (2008 – £63 million) relating to prepayments.

Trade and other payables presented above excludes £27 million (2008 – £43 million) of deferred income relating to Transitional Aid.

## 20 Derivative financial instruments

| | 31 March 2009 | | 31 March 2008 | |
|---|---|---|---|---|
| | **Assets £m** | **Liabilities £m** | Assets £m | Liabilities £m |
| **Non-current derivative financial instruments used to manage the Group's net debt profile** | | | | |
| Currency swaps – fair value, net investment and cash flow hedges | **5** | **(45)** | 24 | (22) |
| Interest rate swaps – fair value hedges | **29** | **(7)** | 10 | (6) |
| | **34** | **(52)** | 34 | (28) |
| **Current derivative financial instruments used to manage the Group's net debt profile** | | | | |
| Currency swaps – accrued interest | **10** | **(3)** | 10 | (3) |
| Interest rate swaps – accrued interest | **3** | **(3)** | – | – |
| Interest rate swaps – held for trading | **13** | **(15)** | 4 | (5) |
| | **26** | **(21)** | 14 | (8) |
| **Total derivative financial instruments used to manage the Group's net debt profile** | **60** | **(73)** | 48 | (36) |
| **Other non-current derivative financial instruments** | | | | |
| Forward foreign exchange contracts – cash flow hedges | **–** | **(2)** | 1 | (2) |
| Commodity pricing contracts – cash flow hedges | **–** | **(3)** | 1 | – |
| | **–** | **(5)** | 2 | (2) |
| **Other current derivative financial instruments** | | | | |
| Forward foreign exchange contracts – cash flow hedges | **12** | **(23)** | 4 | (13) |
| Commodity pricing contracts – cash flow hedges | **10** | **(30)** | 2 | – |
| Commodity pricing contracts – held for trading | **165** | **(209)** | 255 | (246) |
| | **187** | **(262)** | 261 | (259) |
| **Total other derivative financial instruments** | **187** | **(267)** | 263 | (261) |
| **Total derivative financial instruments** | **247** | **(340)** | 311 | (297) |
| **Presented in the balance sheet as follows:** | | | | |
| Non-current derivative financial instruments | **34** | **(57)** | 36 | (30) |
| Current derivative financial instruments | **213** | **(283)** | 275 | (267) |
| | **247** | **(340)** | 311 | (297) |

The ineffective portion recognised in operating profit that arises from cash flow hedges amounts to a gain of £4 million (2008 – £2 million loss).

The ineffective portion recognised in operating profit that arises from net investment hedges amounts to a loss of £1 million (2008 – £nil million).

The ineffective portion recognised in net finance expense that arises from fair value hedges amounts to a loss of £1 million (2008 – £1 million loss).

### 20 Derivative financial instruments (continued)

**Cash flow hedges**
The Group employs forward foreign exchange contracts and commodity pricing contracts to hedge cash flow risk associated with forecast transactions. The notional principal amounts of the outstanding forward foreign exchange contracts are as follows:

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Euro | **(50)** | (70) |
| US dollar | **2** | (23) |
| Sterling | **69** | 77 |
| Singapore dollar | **22** | 18 |
| Other | **(13)** | (20) |

Gains and losses recognised in the hedging reserve in equity (Note 26) on forward foreign exchange and commodity pricing contracts as of 31 March 2009 will be released to the income statement at various dates up to 30 months from the balance sheet date.

In addition, the Group hedges the interest cost of certain of its borrowings through the use of interest rate swaps. Gains and losses recognised in the hedging reserve in equity on interest rate swaps as of 31 March 2009 will be released to the income statement at various dates until the maturity of the underlying borrowings. The notional principal amount of the outstanding interest rate swaps is £142 million (2008 – £122 million).

**Fair value hedges**
The Group employs currency and interest rate swap contracts to hedge the currency and interest rate risks associated with its borrowings. The notional principal amounts of the outstanding interest rate and currency swap contracts applied in fair value hedging relationships as of 31 March 2009 were £227 million and £200 million respectively (2008 – £164 million and £200 million respectively).

**Net investment hedges**
The Group employs currency swap contracts to hedge the currency risk associated with its net investments in subsidiaries located primarily in the USA and Europe. The notional principal amounts of the outstanding currency swap contracts applied in net investment hedging relationships as of 31 March 2009 were £250 million (31 March 2008 – £200 million). The fair value loss of £48 million (2008 – £17 million loss) on translation of the currency swap contracts to pounds sterling at the balance sheet date was recognised in the translation reserve in shareholders' equity (Note 26).

In addition, of the Group's borrowings, a total of £860 million (2008 – £756 million) is designated as hedges of the net investments in overseas subsidiaries.

**Interest rate derivatives held for trading**
Interest rate caps and some of the Group's interest rate swap contracts hedge the Group's exposure to interest rate risk, but do not qualify for hedge accounting. The notional amounts of the outstanding interest rate caps and interest rate swap contracts not designated within hedge relationships as of 31 March 2009 were £109 million and £244 million, respectively (2008 – £83 million and £191 million).

**Trading contracts**
Commodity pricing contracts held for trading relate to the Group's commodity trading activities which are undertaken for the purposes of supporting underlying operations.

### 21 Financial risk factors

**Management of financial risk**
The main financial risks faced by the Group are credit risk, liquidity risk, and market risks, which include interest rate risk, foreign exchange risk and certain commodity price risks. The Board regularly reviews these risks and approves written policies covering the use of financial instruments to manage these risks and set overall risk limits.

The Group Finance Director retains the overall responsibility and management of financial risk for the Group. Most of the Group's financing, interest rate and foreign exchange risk are managed through the Group treasury company, Tate & Lyle International Finance PLC, whose operations are controlled by its board. The treasury company is chaired by the Group Finance Director and has other board members who are independent of the treasury function. The board of Tate & Lyle International Finance PLC approves policies and procedures setting out permissible funding and hedging instruments, and a system of authorities for the approval of transactions and exposures within the limits approved by the Board of Tate & Lyle PLC.

Group interest rate and currency exposures are concentrated either in the treasury company or in appropriate holding companies through market-related transactions with Group subsidiaries. These positions are managed by the treasury company within its authorised limits.

Commodity price risks are managed through divisional commodity trading functions in the USA and Europe, whose operations are controlled by the divisional Executive Committee. The committee meets on a periodic basis and is responsible for ratifying general strategy and overseeing performance on a monthly basis. Commodity price contracts are categorised as being held either for trading or for hedging price exposures. Commodity contracts held for trading within the Group are limited, confined only to tightly controlled areas within the sugar and corn pricing areas.

## 21 Financial risk factors (continued)

The derivative financial instruments approved by the Board of Tate & Lyle PLC to manage financial risks include swaps, both interest rate and currency, swaptions, caps, forward rate agreements, financial and commodity forward contracts and options, and commodity futures.

### Market risks

***Foreign exchange management***

Tate & Lyle operates internationally and is exposed to foreign exchange risks arising from commercial transactions (transaction exposure), and from recognised assets, liabilities and investments in overseas operations (translation exposure).

***Transaction exposure***

The Group's policy requires subsidiaries to hedge transactional currency exposures against their functional currency once the transaction is committed or highly probable, mainly through the use of forward foreign exchange contracts.

The amounts deferred in equity from derivative financial instruments designated as cash flow hedges are released to the income statement and offset against the movement in underlying transactions only when the forecast transactions affect the income statement.

***Translation exposure***

The Group manages the foreign exchange exposure to net investments in overseas operations, particularly in the United States and Europe, by maintaining a percentage of net debt in US dollars and euros to mitigate the effect of these risks. This is achieved by borrowing principally in US dollars and euros, which provide a partial match for the Group's major foreign currency assets. A weakening of the US dollar and euro against sterling would result in exchange gains on net debt denominated in these currencies which would be offset against the losses on the underlying foreign currency assets. At the year end, net debt amounting to £1,231 million (2008 – £1,041 million) was held in the following currencies: net borrowings of US dollars 77% (2008 – 81%), euro 20% (2008 – 21%), pounds sterling 3% (2008 – net deposits of 4%) and net deposits of other currencies 0% (2008 – net borrowings of 2%). The Group's interest cost through the income statement is impacted by changes in the relevant exchange rates.

The following table, as required by IFRS7, illustrates only the Group's sensitivity to the fluctuation of the major currencies on its financial assets and liabilities, as defined and set out in Note 19.

| | **31 March 2009** | | 31 March 2008 | |
|---|---|---|---|---|
| | **Income statement –/+£m** | **Equity –/+£m** | Income statement –/+£m | Equity –/+£m |
| Sterling/US dollar 5% change | **1** | **40** | 1 | 35 |
| Sterling/euro 5% change | **1** | **13** | 2 | 14 |

The Group also manages its foreign exchange exposure to net investments in overseas operations through the use of currency swap contracts. The amount deferred in equity from derivative financial instruments designated as net investment hedges is offset against the foreign currency translation effect of the net investment in overseas operations, and is released to the income statement upon disposal of those investments.

***Interest rate management***

The Group has an exposure to interest rate risk, arising principally from changes in US dollar, sterling and euro interest rates. This risk is managed by fixing or capping portions of debt using interest rate derivatives to achieve a target level of fixed/ floating rate net debt, which aims to optimise net finance expense and reduce volatility in reported earnings. The Group's policy is that between 30% and 75% of Group net debt (excluding the Group's share of joint venture net debt) is fixed or capped (excluding out-of-the-money caps) for more than one year and that no interest rates are fixed for more than 12 years. At 31 March 2009, the longest term of any fixed rate debt held by the Group was until June 2016 (2008 – same). The proportion of net debt (excluding the Group's share of joint venture net debt) that was fixed or capped for more than one year was 55% (2008 – 62%).

If the interest rates applicable to the Group's floating rate debt rise/fall from the levels at the end of March 2009 by an average of 100 basis points over the year to 31 March 2010, Group profit before tax will reduce/increase by approximately £4 million (2008 – £4 million) respectively. The floating rate interest payments on £142 million of the Group's borrowings are hedged and designated under cash flow hedge relationships.

Movements in interest rates will impact the fair value of the Group's fixed and capped rate debt. If the interest rates applicable to the Group's fixed and capped rate debt were to rise by 1% from the levels at 31 March 2009, the fair value of the debt would reduce by approximately £31 million (2008 – £27 million). If interest rates were to fall by 1% from the levels at 31 March 2009, the fair value of the debt would increase by approximately £38 million (2008 – £29 million).

***Price risk management***

Tate & Lyle participates mainly in four markets: food and beverage; industrial ingredients; pharmaceutical and personal care; and animal feed. Food and beverage and industrial ingredients are the most significant. All ingredients are produced from renewable crops, predominantly corn (maize) and sugar cane.

## 21 Financial risk factors (continued)

Tate & Lyle is exposed to movements in the future prices of commodities in those domestic and international markets where the Group buys and sells corn, sugar and energy for production. Commodity futures, forwards and options are used where available to hedge inventories and the costs of raw materials for unpriced and prospective contracts not covered by forward product sales. In most cases, these hedging contracts mature within one year and are either traded on recognised exchanges or over the counter.

The table below illustrates the sensitivity of the Group's commodity pricing contracts as of 31 March to the price movement of commodities.

| | **31 March 2009** | | 31 March 2008 | |
|---|---|---|---|---|
| | **Income statement –/+£m** | **Equity –/+£m** | Income statement –/+£m | Equity –/+£m |
| Corn 30% change | **2** | **1** | 4 | 3 |
| Sugar 20% change | **1** | **–** | 1 | – |

The majority of the Group commodity pricing contracts are held for trading and changes in mark-to-market values of these contracts are taken directly into the income statement. Amounts deferred in equity from commodity pricing contracts designated as cash flow hedges are released to the income statement and offset against the movement in underlying transactions when they occur.

**Credit risk management**

Counterparty credit risk arises from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions, as well as credit exposures inherent within the Group's outstanding receivables.

The Group manages credit risk by entering into financial instrument contracts only with highly credit-rated authorised counterparties which are reviewed and approved annually by the Board.

The Group has Board approved maximum counterparty exposure limits for specified banks and financial institutions based on the long-term credit ratings of Standard & Poor's and Moody's (typically single A long-term credit ratings or higher). Trading limits assigned to commercial customers are based on ratings from Dun & Bradstreet and Credit Risk Monitor. In cases where published financial ratings are not available or inconclusive, credit application, reference checking, and obtaining of customers' confidential financial information such as liquidity and turnover ratio, are required to evaluate customer's credit worthiness.

Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and there are no significant concentrations of credit risks.

The Group considers its maximum exposure to credit risk as follows:

| | **31 March 2009 £m** | 31 March 2008 £m |
|---|---|---|
| Cash and cash equivalents | **434** | 165 |
| Trade and other receivables | **687** | 623 |
| Derivative financial instruments – assets | **247** | 311 |
| Available-for-sale financial assets | **39** | 15 |

The Group's trade receivables are short term in nature and largely comprise amounts receivable from consumers and business customers. Included in trade receivables are amounts received of £98 million (2008 – £50 million) in respect of securitised receivables, which are also included in current borrowings. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, unrelated and internationally dispersed.

**Liquidity risk management**

The Group manages its exposure to liquidity risk and ensures maximum flexibility in meeting changing business needs, by maintaining access to a wide range of funding sources, including capital markets and bank borrowings. Capital market issues outstanding at 31 March 2009 include the US$300 million 6.125% 144A bond maturing in 2011, the £200 million 6.50% bond maturing in 2012, the US$500 million 5.00% 144A bond maturing in 2014 and the US$250 million 6.625% 144A bond maturing in 2016.

The Group ensures that it has sufficient undrawn committed bank facilities to provide liquidity back-up to cover its funding requirements for the foreseeable future. The Group has committed bank facilities of US$1,130 million of which US$85 million mature in September 2009, US$45 million mature in November 2009 and US$1 billion mature in 2012. These facilities are unsecured and contain common financial covenants for Tate & Lyle and its subsidiary companies that the pre-exceptional and amortisation interest cover ratio should not be less than 2.5 times and the multiple of net debt to EBITDA, as defined in our financial covenants, should not be greater than 4.0 times. The Group has amended the definition of the net debt to EBITDA covenant in the US$1 billion Revolving Credit Facility to eliminate the distortion of foreign exchange volatility, so that net debt is translated at the same average exchange rates used to translate EBITDA.

The Group monitors compliance against all its financial obligations and it is Group policy to manage the consolidated balance sheet so as to operate well within these covenanted restrictions at all times. The majority of the Group's borrowings are raised through the Group treasury company, Tate & Lyle International Finance PLC, and are then on-lent to the business units on an arms-length basis.

## 21 Financial risk factors (continued)

Current Group policy is to ensure that, after subtracting the total of undrawn committed facilities, no more than 10% of gross debt matures within 12 months and no more than 35% has a maturity within two and a half years. At 31 March 2009, after subtracting total undrawn committed facilities, there was no debt maturing within two and a half years (2008 – none and none). The average maturity of the Group's gross debt was 4.8 years (2008 – 5.8 years). At the year end the Group held cash and cash equivalents of £434 million (2008 – £165 million) and had committed facilities of £788 million (2008 – £559 million) of which £524 million (2008 – £438 million) were undrawn. These resources are maintained to provide liquidity back-up and to meet the projected maximum cash outflow from debt repayment, capital expenditure and seasonal working capital needs foreseen for at least a year into the future at any one time.

The table below analyses the Group's financial liabilities and derivative assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | | | **31 March 2009** |
|---|---|---|---|
| **Liquidity analysis** | **<1 year £m** | **1-5 years £m** | **> 5 years £m** |
| Borrowings including finance leases | **(525)** | **(483)** | **(598)** |
| Interest on borrowings | **(61)** | **(183)** | **(81)** |
| Trade and other payables | **(516)** | **–** | **–** |
| Derivative contracts – receipts | **521** | **306** | **–** |
| Derivative contracts – payments | **(505)** | **(351)** | **–** |
| Commodity contracts | **(232)** | **(9)** | **–** |

Of the £525 million borrowings with maturities of less than one year £255 million relates to the draw down of committed facilities under the Revolving Credit Facility which matures in 2012.

| | | | 31 March 2008 |
|---|---|---|---|
| | <1 year £m | 1-5 years £m | > 5 years £m |
| Borrowings including finance leases | (234) | (409) | (424) |
| Interest on borrowings | (48) | (167) | (86) |
| Trade and other payables | (467) | – | – |
| Derivative contracts – receipts | 388 | 156 | 39 |
| Derivative contracts – payments | (393) | (134) | (39) |
| Commodity contracts | (265) | (85) | – |

Included in borrowings are £2,394,000 of 6.5% cumulative preference shares. Only one year's worth of interest payable on these cumulative preference shares is included in the less than one year category above.

Interest on borrowings is calculated based on borrowings held at year end without taking into account future issues. Floating-rate interest is calculated using forward interest rates derived from interest rate yield curves as at year end.

Derivative contracts include currency swaps, forward exchange contracts, interest rate swaps, and interest rate caps. All commodity pricing contracts such as options and futures are shown separately under commodity contracts.

Commodity contracts include only net settled commodity derivative contracts and gross settled commodity purchase contracts with negative fair values. Purchase contracts outflows represent actual contractual cashflows under the purchase contracts and not their fair values. Cash outflows from the purchase contracts are offset by cash inflows received from sale contracts; however, these inflows are not included as part of this analysis.

Financial liabilities denominated in currencies other than pounds sterling are converted to pounds sterling using year end exchange rates.

### Capital risk management

The Group's primary objectives in managing its capital are to safeguard the business as a going concern; to maintain sufficient financial flexibility to undertake its investment plans; to retain as a minimum an investment grade credit rating which enables consistent access to debt capital markets, and to optimise capital structure in order to reduce the cost of capital. The Group's financial profile and level of financial risk is assessed on a regular basis in the light of changes to the economic conditions, business environment, to the Group's business profile and the risk characteristics of its businesses.

Tate & Lyle has contractual relationships with Moody's and Standard and Poor's (S&P) for the provision of credit ratings, and it is the Group's policy to keep them informed of all major developments. In February 2009, S&P downgraded Tate & Lyle's long-term credit rating from BBB (negative outlook) to BBB– (negative outlook) and, in April 2009 Moody's downgraded the Group's long-term credit rating from Baa2 (negative outlook) to Baa3 (stable outlook). We are committed to maintaining investment grade credit ratings.

## 21 Financial risk factors (continued)

The Board of Tate & Lyle PLC has set two ongoing key performance indicators (KPIs) to measure the Group's financial strength. The target levels for these financial KPIs are that the ratio of net debt/EBITDA should not exceed 2.5 times and interest cover should exceed 5 times. These ratios are calculated on the same basis as the external financial covenants noted above. The ratios for these KPIs for the financial years ended 31 March 2009 and 31 March 2008 are:

| | 31 March | |
|---|---|---|
| | **2009** | 2008 |
| Net debt/EBITDA | **2.4** | 2.5 |
| Interest cover | **6.1** | 7.8 |

## 22 Inventories

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Raw materials and consumables | **227** | 287 |
| Work in progress | **24** | 21 |
| Finished goods | **287** | 254 |
| **Total** | **538** | 562 |

Finished goods inventories of £1 million (2008 – £1 million) are carried at realisable value, this being lower than cost. Inventories of £99 million (2008 – £213 million) are carried at market value.

## 23 Trade and other receivables

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| **Non-current trade and other receivables** | | |
| Trade receivables | **1** | 5 |
| Prepayments and accrued income | **1** | – |
| Other receivables | **3** | 6 |
| **Total** | **5** | 11 |

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| **Current trade and other receivables** | | |
| Trade receivables | **564** | 483 |
| Less: provision for impairment of receivables | **(21)** | (9) |
| Trade receivables – net | **543** | 474 |
| Prepayments and accrued income | **40** | 63 |
| Government grants receivable | **12** | 60 |
| Other receivables | **128** | 78 |
| **Total** | **723** | 675 |

The fair values of the non-current trade and other receivables are not materially different from their carrying values. The fair values of the current trade and other receivables are equivalent to their carrying values due to being short-term in nature.

### 23 Trade and other receivables (continued)

Included in trade receivables are amounts received of £98 million (2008 – £50 million) in respect of securitised receivables, which are also included in current borrowings. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. The carrying value of trade and other receivables represents the maximum credit exposure.

Government grants are receivable under the Transitional Aid and Restructuring Aid provisions of the EU Sugar Regime. These amounts are receivable subject to audit by the governments of the jurisdictions to which they relate.

The carrying amount of trade and other receivables are denominated in the following currencies:

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| US dollar | **455** | 290 |
| Euro (note a) | **183** | 166 |
| Sterling | **38** | 87 |
| Mexican peso | **7** | 26 |
| Other | **45** | 117 |
| Total | **728** | 686 |

(a) Includes £12 million (2008 – £60 million) of government grants receivable under the Transitional Aid and Restructuring Aid provisions of the EU Sugar Regime.

**Provision for impairment of receivables**

| | £m |
|---|---|
| At 1 April 2008 | (9) |
| Charge for the year | (14) |
| Reversal of impairment | 3 |
| Disposal of businesses | 2 |
| Exchange | (3) |
| **At 31 March 2009** | **(21)** |

The creation and release of provision for impaired receivables have been included in the income statement.

The Group recognised a loss of £14 million (2008 – £nil million) for impairment of its trade receivables during the year. Of this loss £2 million from continuing operations and £3 million from discontinued operations has been included in operating profit (Note 6) in the income statement and £9 million has been included in exceptional items.

As at 31 March 2009, trade receivables of £66 million (2008 – £101 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Up to 30 days past due | **37** | 64 |
| 1-3 months past due | **16** | 24 |
| Over 3 months past due | **13** | 13 |
| **Total** | **66** | 101 |

## 24 Share capital and share premium

| | Ordinary share capital £m | Share premium £m | Total £m |
|---|---|---|---|
| At 1 April 2007 | 122 | 403 | 525 |
| Proceeds from issuance of ordinary shares | – | 1 | 1 |
| Share buy backs | (8) | – | (8) |
| At 31 March 2008 | 114 | 404 | 518 |
| Proceeds from issuance of ordinary shares | 1 | – | 1 |
| **At 31 March 2009** | **115** | **404** | **519** |

Ordinary shares carry the right to participate in dividends and each share entitles the holder to one vote on matters requiring shareholder approval.

### Authorised equity share capital

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| 790,424,000 ordinary shares of 25p each (2008 – 790,424,000) | **198** | 198 |

### Allotted, called up and fully paid equity share capital

| | **31 March 2009** | | 31 March 2008 | |
|---|---|---|---|---|
| | **Shares** | **£m** | Shares | £m |
| At 1 April | **459 910 466** | **114** | 489 824 398 | 122 |
| Allotted under share option schemes | **102 335** | **1** | 413 068 | – |
| Market purchases | **–** | **–** | (30 327 000) | (8) |
| At 31 March | **460 012 801** | **115** | 459 910 466 | 114 |

### Treasury shares and shares held in ESOP trust

As at 31 March 2009, the Group held 1,328,502 shares (2008 – 2,755,073 shares) in Treasury.

During the year 1,426,571 shares (2008 – 544,927 shares) were released from Treasury to satisfy share options exercised.

The shares held in Treasury at 31 March 2009 represent 0.3% (2008 – 0.6%) of the Parent Company's share capital at the year end, and have a nominal value of £0.3 million (2008 – £0.6 million).

As at 31 March 2009, the Group held 1,840,801 shares (2008 – 2,044,493 shares) in an ESOP trust.

### Analysis of ordinary shareholders

| | **31 March 2009** | | | |
|---|---|---|---|---|
| | **Number of holdings** | **%** | **Total** | **%** |
| Up to 500 shares of 25p each | **5 543** | **30.5** | **1 514 432** | **0.3** |
| 501 – 1 000 | **4 636** | **25.5** | **3 677 803** | **0.8** |
| 1 001 – 1 500 | **2 313** | **12.7** | **2 915 386** | **0.6** |
| 1 501 – 2 000 | **1 605** | **8.8** | **2 916 127** | **0.6** |
| 2 001 – 5 000 | **2 578** | **14.2** | **8 106 257** | **1.8** |
| 5 001 – 10 000 | **608** | **3.3** | **4 333 768** | **0.9** |
| 10 001 – 200 000 | **687** | **3.8** | **34 381 119** | **7.5** |
| 200 001 – 500 000 | **112** | **0.6** | **36 609 064** | **8.0** |
| Above 500 000 | **100** | **0.6** | **365 558 845** | **79.5** |
| **Total** | **18 182** | **100.0** | **460 012 801** | **100.0** |

## 25 Consolidated statement of changes in shareholders' equity

| | Notes | Share capital and share premium (Note 24) £m | Capital redemption reserve £m | Other reserves (Note 26) £m | Retained earnings £m | Attributable to the equity holders of the Company £m | Minority interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2007 | | 525 | – | 50 | 385 | 960 | 35 | 995 |
| Net income/(expense) recognised directly in equity | | – | – | 55 | (7) | 48 | – | 48 |
| Profit/(loss) for the year | | – | – | – | 194 | 194 | (7) | 187 |
| Share-based payments, including tax | | – | – | – | 2 | 2 | – | 2 |
| Proceeds from shares issued | | 1 | – | – | 7 | 8 | – | 8 |
| Items transferred to income on disposal | | – | – | (14) | – | (14) | (1) | (15) |
| Share buy backs | 24 | (8) | 8 | – | (159) | (159) | – | (159) |
| Dividends paid | 14 | – | – | – | (105) | (105) | (1) | (106) |
| Minority interests disposed | | – | – | – | – | – | (10) | (10) |
| Balance at 31 March 2008 | | 518 | 8 | 91 | 317 | 934 | 16 | 950 |
| Net income/(expense) recognised directly in equity | | – | – | 132 | (40) | 92 | 6 | 98 |
| Profit for the year | | – | – | – | 65 | 65 | 5 | 70 |
| Share-based payments, including tax | | – | – | – | 1 | 1 | – | 1 |
| Proceeds from shares issued | | 1 | – | – | 2 | 3 | – | 3 |
| Items transferred to income on disposal | | – | – | (4) | – | (4) | – | (4) |
| Dividends paid | 14 | – | – | – | (104) | (104) | (1) | (105) |
| **Balance at 31 March 2009** | | **519** | **8** | **219** | **241** | **987** | **26** | **1 013** |

Retained earnings at 31 March 2009 include a deduction for own shares held by the ESOP trust of £7 million (2008 – £7 million). All but 0.01 pence per share of the dividends arising on these shares have been waived by the trust.

## 26 Other reserves

| | Hedging reserve £m | Translation reserve £m | Other reserves (note a) £m | Total £m |
|---|---|---|---|---|
| At 1 April 2007 | – | (54) | 104 | 50 |
| Net gain on cash flow hedges | 1 | – | – | 1 |
| Loss on revaluation of available-for-sale financial assets | – | – | (3) | (3) |
| Currency translation differences: | | | | |
| – net investment hedging losses in the year | – | (50) | – | (50) |
| Net exchange differences on consolidation (note b) | – | 107 | – | 107 |
| Items transferred to income on disposal | 1 | (12) | (3) | (14) |
| At 31 March 2008 | 2 | (9) | 98 | 91 |
| Net loss on cash flow hedges | (25) | – | – | (25) |
| Gain on revaluation of available-for-sale financial assets | – | – | 24 | 24 |
| Currency translation differences: | | | | |
| – net investment hedging losses in the year | – | (321) | – | (321) |
| Net exchange differences on consolidation (note b) | – | 454 | – | 454 |
| Items transferred to income on disposal | – | (1) | (3) | (4) |
| **At 31 March 2009** | **(23)** | **123** | **119** | **219** |

(a) Other reserves include the merger reserve, the available-for-sale fair value reserve, and the statutory reserves of certain overseas subsidiaries, all of which are non-distributable.

(b) Net exchange differences on consolidation in the year includes a taxation impact of £nil million (2008 – credit of £21 million).

## 27 Share-based payments

During the year to 31 March 2009, various equity-settled share-based payment arrangements existed, which are described below:

| Type of arrangement | Performance share plan | Executive share option scheme | Deferred bonus share plan | Sharesave scheme Duration in years | Sharesave scheme | Sharesave scheme |
|---|---|---|---|---|---|---|
| Timing of grant | Bi-annually in June and November | Annually in June (note a) | Annually in July | | Annually in June | Annually in December |
| Number of options/shares granted in year to 31 March 2009 | 2 478 568 | – | 19 026 | 3<br>5 | 66 029<br>31 340 | 148 132<br>61 893 |
| Number of options/shares granted in year to 31 March 2008 | 1 511 463 | – | 429 612 | 3<br>5 | 102 128<br>57 335 | 215 130<br>104 183 |
| Fair value per share for 2009 grant (p) | 170 | – | 215 | 3<br>5 | 66<br>75 | 67<br>76 |
| Fair value per share for 2008 grant (p) | 141 | – | 194 | 3<br>5 | 120<br>138 | 97<br>105 |
| Valuation basis | Monte Carlo | Binomial Lattice | Monte Carlo | | Black-Scholes | Black-Scholes |
| Contractual life | 10 years | 10 years | 3 years | | 3/5 years | 3/5 years |
| Vesting conditions | (note b) | (note c) | (note d) | | (note e) | (note e) |

(a) The last grant under this scheme was made in June 2004.

(b) Exercise is dependent on total shareholder return as measured by reference to a comparator group over a three-year period following grant. Participants are not entitled to dividends prior to the exercise of options.

(c) Exercise is dependent on earnings per share performance relative to inflation over a three-year period following grant. Participants are not entitled to dividends prior to the exercise of options.

(d) Executives have the opportunity to defer up to 50% of their annual cash bonus (after deduction of tax, national insurance or other social security payment) and invest the amount deferred in the Company's shares. Subject to the satisfaction of employment conditions and a performance target over the performance period as described in (b) above, participants will receive awards of matching shares based on the number of shares which could have been acquired from the gross bonus amount deferred by the participant. During the performance period, dividends are paid on the deferred shares but not on matching shares. This plan was suspended during the year. Further details are set out in the directors' remuneration report on page 87.

(e) Options granted in the years to 31 March 2008 and 31 March 2009 were by invitation at a 10% discount to the market price. Options are exercisable at the end of a three-year or five-year savings contract.

The Group recognised total expenses before tax of £5 million (2008 – £5 million) related to equity-settled share-based payment transactions during the year.

Details of the movements for equity-settled share option schemes during the year to 31 March were as follows:

| | **2009 Number** | **2009 Weighted average exercise price pence** | 2008 Number | 2008 Weighted average exercise price pence |
|---|---|---|---|---|
| Outstanding at 1 April | **11 664 517** | **117** | 14 100 394 | 163 |
| Granted | **2 804 988** | **42** | 2 419 851 | 87 |
| Exercised | **(1 732 598)** | **149** | (3 929 906) | 233 |
| Lapsed | **(2 910 404)** | **47** | (925 822) | 314 |
| Outstanding at 31 March | **9 826 503** | **111** | 11 664 517 | 117 |

## 27 Share-based payments (continued)

The weighted average Tate & Lyle PLC share price at the date of exercise for share options exercised during the year was 467 pence (2008 – 551 pence). At 31 March 2009, 3,017,439 (2008 – 3,346,475) of the outstanding options were exercisable at a weighted average exercise price of 280 pence (2008 – 328 pence). A detailed breakdown of the range of exercise prices for options outstanding at 31 March is shown in the table below:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Number outstanding at end of year** | **Weighted average remaining contractual life in months** | **Weighted average exercise price pence** | Number outstanding at end of year | Weighted average remaining contractual life in months | Weighted average exercise price pence |
| At nil cost | **6 676 569** | **52.7** | **–** | 7 711 186 | 53.6 | – |
| £0.01 to £1.99 | **–** | **–** | **–** | – | – | – |
| £2.00 to £3.99 | **2 926 169** | **53.4** | **338** | 3 648 749 | 64.7 | 333 |
| £4.00 to £7.99 | **223 765** | **23.2** | **466** | 304 582 | 26.6 | 482 |
| Total | **9 826 503** | **52.3** | **93** | 11 664 517 | 56.5 | 117 |

The fair value of grants is measured using the valuation technique that is considered to be the most appropriate to value each class of grant. These include Binomial Lattice models, Black-Scholes calculations and Monte Carlo simulations. These valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations. Key assumptions are detailed below:

| **At 31 March 2009** | **Deferred bonus plan** | **Performance share plan** | **Sharesave scheme June** | **Sharesave scheme December** |
|---|---|---|---|---|
| Expected volatility | **30%** | **30%** | **30%** | **30%** |
| Expected life | **n/a** | **n/a** | **3.5/5.5 years** | **3.5/5.5 years** |
| Risk-free rate | **–** | **–** | **5.3%** | **4.5%/4.6%** |
| Expected dividend yield | **5.6%** | **5.7%** | **5.7%** | **4.9%** |
| Forfeiture rate | **0%** | **0%** | **10%** | **10%** |
| Correlation with comparators | **30%** | **30%** | **n/a** | **n/a** |
| Volatility of comparators | **17-56%** | **17-53%** | **n/a** | **n/a** |
| Expectations of meeting performance criteria | **100%** | **100%** | **n/a** | **n/a** |
| Weighted average market price at date of grant (p) | **401** | **392** | **398** | **400** |

| **At 31 March 2008** | Deferred bonus plan | Performance share plan | Sharesave scheme June | Sharesave scheme December |
|---|---|---|---|---|
| Expected volatility | 25% | 25% | 25% | 30% |
| Expected life | n/a | n/a | 3.5/5.5 years | 3.5/5.5 years |
| Risk-free rate | n/a | n/a | 6.0%/5.9% | 4.5%/4.6% |
| Expected dividend yield | 3.6% | 3.5% | 3.8% | 4.9% |
| Forfeiture rate | 0% | 0% | 10% | 10% |
| Correlation with comparators | 20% | 20% | n/a | n/a |
| Volatility of comparators | 5-47% | 5-47% | n/a | n/a |
| Expectations of meeting performance criteria | 100% | 100% | n/a | n/a |
| Weighted average market price at date of grant (p) | 568 | 576 | 531 | 439 |

The expected volatility is based on the Company's historical volatility over the three-year period prior to each award date.

## 28 Trade and other payables

| | 2009 £m | 2008 £m |
|---|---|---|
| | 31 March | |
| **Non-current payables** | | |
| Accruals and deferred income (note a) | **10** | 27 |
| Other payables | **1** | – |
| **Total** | **11** | 27 |

| | 2009 £m | 2008 £m |
|---|---|---|
| | 31 March | |
| **Current payables** | | |
| Trade payables | **295** | 258 |
| Social security | **9** | 7 |
| Amounts owed to related parties | **–** | 1 |
| Deferred consideration (note b) | **28** | 23 |
| Accruals and deferred income (note c) | **178** | 155 |
| Other payables | **28** | 44 |
| **Total** | **538** | 488 |

(a) Includes government grant deferred income of £9 million (2008 – £26 million) under the Transitional Aid provisions of the EU Sugar Regime.

(b) Deferred consideration relates to the acquisition of G. C. HAHN & Co. (Note 38).

(c) Includes government grant deferred income of £18 million (2008 – £17 million) under the Transitional Aid provisions of the EU Sugar Regime.

## 29 Borrowings

### Non-current borrowings

| | 2009 £m | 2008 £m |
|---|---|---|
| | 31 March | |
| **Unsecured borrowings** | | |
| 2,394,000 6.5% cumulative preference shares of £1 each (2008 – £2,394,000) | **2** | 2 |
| Industrial Revenue Bonds 2016-2036 (US$92,000,000) | **64** | 46 |
| 6.125% Guaranteed Notes 2011 (US$300,000,000) | **214** | 156 |
| 6.5% Guaranteed Notes 2012 (£200,000,000) | **215** | 199 |
| 5.0% Guaranteed Notes 2014 (US$500,000,000) | **366** | 255 |
| 6.625% Guaranteed Notes 2016 (US$250,000,000) | **189** | 135 |
| | **1 050** | 793 |
| **Bank loans** | | |
| Variable unsecured loans (euro) | **47** | 40 |
| Variable unsecured loans (US$) | **7** | 5 |
| | **54** | 45 |
| **Other borrowings** | | |
| Obligations under finance leases | **25** | 20 |
| | **25** | 20 |
| Total non-current borrowings | **1 129** | 858 |

On a return of capital on a winding-up, the holders of 6.5% cumulative preference shares shall be entitled to £1 per share, in preference to all other classes of shareholders. Holders of these shares are entitled to vote at meetings, except on the following matters: any question as to the disposal of the surplus profits after the dividend on these shares has been provided for, the election of directors, their remuneration, any agreement between the directors and the Company, or the alteration of the Articles of Association dealing with any such matters.

## 29 Borrowings (continued)

### Current borrowings

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Unsecured bank overdrafts | **23** | 24 |
| Receivables securitisation | **98** | 50 |
| Drawdown of committed facilities | **257** | 123 |
| Short-term loans | | |
| – unsecured | **141** | 153 |
| – secured | **–** | 5 |
| Current portion of non-current borrowings | **1** | 3 |
| Obligations under finance leases | **3** | 2 |
| Total current borrowings | **523** | 360 |

### Secured borrowings

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Other secured borrowings are secured on property, plant and equipment, receivables and inventories.

### Fair values

The fair values of the Group's borrowings compared with their book values are as follows:

| | **31 March 2009** | | 31 March 2008 | |
|---|---|---|---|---|
| | **Book value £m** | **Fair value £m** | Book value £m | Fair value £m |
| Unsecured borrowings | **1 050** | **1 151** | 793 | 858 |
| Non-current bank loans | **54** | **54** | 45 | 45 |
| Other non-current borrowings | **25** | **25** | 20 | 20 |
| Other current borrowings | **523** | **523** | 360 | 360 |
| Total | **1 652** | **1 753** | 1 218 | 1 283 |

### Interest rate risks and maturity of borrowings

The maturity profile of the Group's non-current borrowings is as follows:

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| One to two years | **49** | 4 |
| Two to five years | **446** | 406 |
| After five years | **634** | 448 |
| Total non-current borrowings | **1 129** | 858 |

Floating rate borrowings bear interest based on relevant national LIBOR equivalents. If the interest rates applicable to the Group's floating rate debt rise from the levels at 31 March 2009 by an average of 1% over the year to 31 March 2010, this would reduce Group profit before tax by approximately £4 million (2008 – £4 million).

As part of its interest rate management strategy, the Group has entered into interest rate caps for a notional principal amount of £109 million (2008 – £83 million), capping interest rates at 4% until June 2009.

## 29 Borrowings (continued)

Taking into account the Group's interest rate swap and cap contracts, the effective interest rates of its borrowings are as follows:

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| 2,394,000 6.5% cumulative preference shares of £1 each | **6.5%** | 6.5% |
| Industrial Revenue Bonds 2016–2036 (US$92,000,000) | **0.8%** | 2.2% |
| 6.125% Guaranteed Notes 2011 (US$300,000,000) | **5.0%** | 5.0% |
| 6.5% Guaranteed Notes 2012 (£200,000,000) | **4.2%** | 5.3% |
| 5.0% Guaranteed Notes 2014 (US$500,000,000) | **4.9%** | 4.9% |
| 6.625% Guaranteed Notes 2016 (US$250,000,000) | **6.0%** | 6.0% |

### Short-term loans and overdrafts

Current short-term loans mature within the next 12 months and overdrafts are repayable on demand. Both short-term loans and bank overdrafts are arranged at floating rates of interest and expose the Group to cash flow interest rate risk.

### Credit facilities and arrangements

The Group has undrawn committed multi-currency facilities of £524 million (2008 – £438 million), of which £59 million matures in September 2009, £31 million matures in November 2009 and £434 million matures in October 2012. These facilities incur commitment fees at market rates prevailing when the facilities were arranged. The facilities may only be withdrawn in the event of specified events of default. In addition, the Group has substantial uncommitted facilities.

### Finance lease commitments

Amounts payable under finance lease commitments are as follows:

| | **31 March 2009** | | 31 March 2008 | |
|---|---|---|---|---|
| | **Minimum lease payments £m** | **Present value of minimum lease payments £m** | Minimum lease payments £m | Present value of minimum lease payments £m |
| Within one year | **4** | **3** | 3 | 2 |
| Between one and five years | **20** | **13** | 14 | 12 |
| After five years | **9** | **12** | 10 | 8 |
| | **33** | **28** | 27 | 22 |
| Less future finance charges | **(5)** | | (5) | |
| Present value of minimum lease payments | **28** | | 22 | |

Finance lease agreements allow for renewal at the end of the original ten-year lease term at the option of the Group.

## 30 Deferred tax

Deferred tax is calculated in full on temporary differences using tax rates applicable in the jurisdictions where such differences arise. Movements in deferred income tax net liabilities in the year are as follows:

| Deferred tax | Total £m |
|---|---|
| At 1 April 2007 | 77 |
| Fair value adjustments on acquisition of subsidiaries | 17 |
| Credited to income | (4) |
| Charged to statement of recognised income and expense | 12 |
| Exchange differences | 4 |
| At 31 March 2008 | 106 |
| Credited to income | (39) |
| Credited to statement of recognised income and expense | (36) |
| Exchange differences | 17 |
| **At 31 March 2009** | **48** |

Of the amounts of deferred tax credited to income and equity, £1 million (2008 – £nil million) arises from changes in tax rates. There was no impact from the imposition of new taxes.

Deferred tax assets in respect of unutilised tax losses of £293 million (2008 – £184 million) have not been recognised to the extent that they exceed taxable profits against which these assets may be recovered. No unrelieved tax losses expired under current tax legislation in the year ended 31 March 2009.

No deferred tax has been recognised in respect of unremitted earnings of £1.1 billion (2008 – £1.0 billion) where the Group is both able to control dividend policy and does not anticipate dividends to be remitted in the foreseeable future.

The movements in deferred tax assets and liabilities during the period are as follows:

| Deferred tax liabilities | Capital allowances in excess of depreciation £m | Other £m | Total £m |
|---|---|---|---|
| At 1 April 2007 | 138 | 21 | 159 |
| Acquisitions | – | 17 | 17 |
| (Credited)/charged to income | (12) | 5 | (7) |
| Exchange differences | – | 4 | 4 |
| At 31 March 2008 | 126 | 47 | 173 |
| Transfers between categories | (21) | (3) | (24) |
| (Credited)/charged to income | (32) | 1 | (31) |
| Exchange differences | 29 | 9 | 38 |
| At 31 March 2009 | **102** | **54** | **156** |

| Deferred tax assets | Retirement benefit obligations £m | Share-based payments £m | Tax losses £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2007 | 53 | 11 | 3 | 15 | 82 |
| (Charged)/credited to income | (8) | (4) | (1) | 10 | (3) |
| (Charged)/credited to equity | (10) | (3) | – | 1 | (12) |
| At 31 March 2008 | 35 | 4 | 2 | 26 | 67 |
| Transfers between categories | (2) | – | (2) | (20) | (24) |
| (Charged)/credited to income | (4) | 2 | – | 10 | 8 |
| Credited/(charged) to equity | 31 | (4) | – | 9 | 36 |
| Exchange differences | 21 | – | – | – | 21 |
| **At 31 March 2009** | **81** | **2** | **–** | **25** | **108** |

### 30 Deferred tax (continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

As a result of these offsets, the deferred tax balances are presented in the balance sheet as follows:

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Deferred tax liabilities | **78** | 107 |
| Deferred tax assets | **(30)** | (1) |
| **Total** | **48** | 106 |

### 31 Retirement benefit obligations

#### (a) Plan information

The Group maintains pension plans for its operations throughout the world. Some of these arrangements are defined benefit pension schemes with retirement, disability, death and termination income benefits. The retirement income benefits are generally a function of years of employment and final salary.

The principal schemes are funded and their assets held in separate trustee-administered funds. The schemes are funded in line with local practice and contributions are assessed in accordance with local independent actuarial advice. The schemes operated by the Group are subject to independent actuarial valuation at regular intervals using consistent assumptions appropriate to conditions prevailing in the relevant country. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out as at 31 March 2007 by independent actuaries.

The Group also maintains defined contribution pension schemes and some fully insured pension schemes.

On 1 April 2002, the main United Kingdom scheme was closed to new members. A defined contribution pension scheme has been established to provide pension benefits to new United Kingdom employees. Under the projected unit method, the service cost of the closed scheme will increase as the members approach retirement.

The Group's subsidiaries in the United States provide unfunded retirement medical and life assurance benefits to their employees.

The Group expects to contribute approximately £23 million to its defined benefit plans in the year to 31 March 2010.

#### (b) Principal assumptions

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | Pension benefits | | | Medical benefits |
|---|---|---|---|---|
| **Year to 31 March 2009** | **UK** | **US** | **Others** | |
| Inflation rate | 2.7% | 2.5% | 2.0% | 2.5% |
| Expected rate of salary increases | 3.5% | 3.5% | 2.0% | n/a |
| Expected rate of pension increases | 2.7% | n/a | 1.0% | n/a |
| Discount rate | 6.9% | 7.3% | 6.3% | 7.1% |
| Expected return on plan assets (total) | 6.6% | 7.9% | 5.9% | n/a |
| Expected equity return on plan assets | 8.1% | 8.4% | 7.5% | n/a |

| | Pension benefits | | | Medical benefits |
|---|---|---|---|---|
| **Year to 31 March 2008** | UK | US | Others | |
| Inflation rate | 3.6% | 3.5% | 2.0% | 3.5% |
| Expected rate of salary increases | 5.4% | 4.5% | 2.0-3.6% | n/a |
| Expected rate of pension increases | 3.6% | n/a | 0.0-1.8% | n/a |
| Discount rate | 6.6% | 6.5% | 5.9% | 6.3% |
| Expected return on plan assets (total) | 6.1% | 7.8% | 4.0-6.0% | n/a |
| Expected equity return on plan assets | 8.5% | 8.8% | 7.0% | n/a |

| | Expected longevity post age 60 | |
|---|---|---|
| **Mortality assumptions – Year to 31 March 2009** | UK | US |
| Male aged 60 now | 26 years | 23 years |
| Male aged 60 in 15 years' time | 28 years | 23 years |
| Female aged 60 now | 27 years | 25 years |
| Female aged 60 in 15 years' time | 29 years | 25 years |

### 31 Retirement benefit obligations (continued)

| Mortality assumptions – Year to 31 March 2008 | Expected longevity post age 60 UK | US |
|---|---|---|
| Male aged 60 now | 26 years | 23 years |
| Male aged 60 in 15 years' time | 28 years | 23 years |
| Female aged 60 now | 27 years | 25 years |
| Female aged 60 in 15 years' time | 28 years | 25 years |

Shorter longevity assumptions are used for members who retire on grounds of ill-health.

The expected rates of return on individual categories of plan assets are estimated by reference to indices published by the relevant exchanges. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio. The actual rate of return on the plan assets for the year was negative 15.4% (2008 – positive 0.2%), and amounted to a loss of £171 million (2008 – £2 million gain).

Medical cost trend rates are estimated at between 8.5% and 10.5% per annum (2008 – 9.0%-11.0%), grading down to 5% by 2012. If medical cost trend rates were to increase or decrease by 1%, the effects are estimated as follows:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Increase £m** | **Decrease £m** | Increase £m | Decrease £m |
| Increase/(decrease) in medical benefits current service and interest cost | **1** | **(1)** | 1 | – |
| Increase/(decrease) in medical benefits obligation | **7** | **(6)** | 5 | (5) |

### (c) Amounts recognised in the income statement

| **Year to 31 March 2009** | **Pension benefits UK £m** | **US £m** | **Others £m** | **Total £m** | **Medical benefits £m** | **Total £m** |
|---|---|---|---|---|---|---|
| Current service cost charged to operating profit | **5** | **6** | **1** | **12** | **2** | **14** |
| Interest cost | **52** | **20** | **2** | **74** | **5** | **79** |
| Expected return on plan assets | **(55)** | **(19)** | **(2)** | **(76)** | **–** | **(76)** |
| (Credited)/charged to finance expense | **(3)** | **1** | **–** | **(2)** | **5** | **3** |
| Total | **2** | **7** | **1** | **10** | **7** | **17** |

| **Year to 31 March 2008** | Pension benefits UK £m | US £m | Others £m | Total £m | Medical benefits £m | Total £m |
|---|---|---|---|---|---|---|
| Current service cost | 8 | 3 | 3 | 14 | 1 | 15 |
| The effect of any curtailments, settlements or termination benefits | (3) | – | 2 | (1) | – | (1) |
| Charged to operating profit | 5 | 3 | 5 | 13 | 1 | 14 |
| Interest cost | 45 | 15 | 3 | 63 | 4 | 67 |
| Expected return on plan assets | (51) | (17) | (3) | (71) | – | (71) |
| (Credited)/charged to finance income | (6) | (2) | – | (8) | 4 | (4) |
| Total | (1) | 1 | 5 | 5 | 5 | 10 |

Current service costs are presented in staff costs (Note 9); expected return on plan assets and interest cost are presented in net finance expense (Note 10).

### 31 Retirement benefit obligations (continued)

### (d) Amounts recognised in the balance sheet

| At 31 March 2009 | Pension benefits | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UK | | US | | Others | | Total | | | |
| | % of plan assets | £m | % of plan assets | £m | % of plan assets | £m | % of plan assets | £m | Medical benefits £m | Total £m |
| Fair value of plan assets: | | | | | | | | | | |
| Equities | **25%** | **185** | **49%** | **96** | **27%** | **12** | **30%** | **293** | **–** | **293** |
| Bonds | **36%** | **267** | **34%** | **68** | **42%** | **19** | **36%** | **354** | **–** | **354** |
| Property and other | **39%** | **280** | **17%** | **34** | **31%** | **14** | **34%** | **328** | **–** | **328** |
| | | **732** | | **198** | | **45** | | **975** | **–** | **975** |
| Present value of funded obligations | | **(687)** | | **(318)** | | **(50)** | | **(1 055)** | **–** | **(1 055)** |
| Present value of unfunded obligations | | **–** | | **(37)** | | **–** | | **(37)** | **(94)** | **(131)** |
| Net asset/(liability) recognised in the Group balance sheet | | **45** | | **(157)** | | **(5)** | | **(117)** | **(94)** | **(211)** |
| Analysed in the balance sheet as: | | | | | | | | | | |
| Retirement benefit surplus | | **45** | | **–** | | **2** | | **47** | **–** | **47** |
| Retirement benefit obligations | | **–** | | **(157)** | | **(7)** | | **(164)** | **(94)** | **(258)** |

| At 31 March 2008 | Pension benefits | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UK | | US | | Others | | Total | | | |
| | % of plan assets | £m | % of plan assets | £m | % of plan assets | £m | % of plan assets | £m | Medical benefits £m | Total £m |
| Fair value of plan assets: | | | | | | | | | | |
| Equities | 29% | 245 | 55% | 115 | 25% | 11 | 33% | 371 | – | 371 |
| Bonds | 26% | 220 | 28% | 59 | 43% | 19 | 27% | 298 | – | 298 |
| Property and other | 45% | 394 | 17% | 35 | 32% | 14 | 40% | 443 | – | 443 |
| | | 859 | | 209 | | 44 | | 1 112 | – | 1 112 |
| Present value of funded obligations | | (810) | | (246) | | (45) | | (1 101) | – | (1 101) |
| Present value of unfunded obligations | | – | | (27) | | – | | (27) | (75) | (102) |
| Net asset/(liability) recognised in the Group balance sheet | | 49 | | (64) | | (1) | | (16) | (75) | (91) |
| Analysed in the balance sheet as: | | | | | | | | | | |
| Retirement benefit surplus | | 49 | | – | | 4 | | 53 | – | 53 |
| Retirement benefit obligations | | – | | (64) | | (5) | | (69) | (75) | (144) |

The plan assets do not include any of the Group's financial instruments, nor any property occupied by, or other assets used by, the Group.

**31 Retirement benefit obligations (continued)**

**(e) Reconciliation of movement in plan assets and liabilities**

| Liabilities | Pension benefits UK £m | Pension benefits US £m | Pension benefits Others £m | Pension benefits Total £m | Medical benefits £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 April 2007 | 864 | 279 | 97 | 1 240 | 77 | 1 317 |
| Total service cost | 8 | 3 | 3 | 14 | 1 | 15 |
| Interest cost | 45 | 15 | 3 | 63 | 4 | 67 |
| Actuarial gain | (58) | (7) | (5) | (70) | (2) | (72) |
| Contributions paid by employees | – | – | 1 | 1 | – | 1 |
| Disposals | – | – | (37) | (37) | – | (37) |
| Benefits paid | (46) | (15) | (1) | (62) | (4) | (66) |
| Curtailments, settlements and termination benefits | (3) | – | (21) | (24) | – | (24) |
| Exchange differences | – | (2) | 5 | 3 | (1) | 2 |
| At 31 March 2008 | 810 | 273 | 45 | 1 128 | 75 | 1 203 |
| Total service cost | 5 | 6 | 1 | 12 | 2 | 14 |
| Interest cost | 52 | 20 | 2 | 74 | 5 | 79 |
| Actuarial gain | (136) | (27) | (4) | (167) | (9) | (176) |
| Benefits paid | (47) | (19) | (1) | (67) | (5) | (72) |
| Exchange differences | 3 | 102 | 7 | 112 | 26 | 138 |
| **At 31 March 2009** | **687** | **355** | **50** | **1 092** | **94** | **1 186** |

| Assets | Pension benefits UK £m | Pension benefits US £m | Pension benefits Others £m | Pension benefits Total £m | Medical benefits £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 April 2007 | 869 | 224 | 95 | 1 188 | – | 1 188 |
| Expected return on assets | 51 | 17 | 3 | 71 | – | 71 |
| Actuarial loss | (42) | (24) | (3) | (69) | – | (69) |
| Contributions paid by employer | 27 | 9 | 2 | 38 | 4 | 42 |
| Contributions paid by employees | – | – | 1 | 1 | – | 1 |
| Disposals | – | – | (33) | (33) | – | (33) |
| Benefits paid | (46) | (15) | (1) | (62) | (4) | (66) |
| Curtailments, settlements and termination benefits | – | – | (23) | (23) | – | (23) |
| Exchange differences | – | (2) | 3 | 1 | – | 1 |
| At 31 March 2008 | 859 | 209 | 44 | 1 112 | – | 1 112 |
| Expected return on assets | 55 | 19 | 2 | 76 | – | 76 |
| Actuarial loss | (148) | (89) | (10) | (247) | – | (247) |
| Contributions paid by employer | 12 | 11 | 3 | 26 | 5 | 31 |
| Benefits paid | (47) | (19) | (1) | (67) | (5) | (72) |
| Exchange differences | 1 | 67 | 7 | 75 | – | 75 |
| **At 31 March 2009** | **732** | **198** | **45** | **975** | **–** | **975** |

## 31 Retirement benefit obligations (continued)

### (f) Analysis of actuarial loss/(gain) recognised in the consolidated statement of recognised income and expense

| | Year to 31 March 2009 £m | 2008 £m |
|---|---|---|
| Difference between the actual return and the expected return on plan assets | **247** | 69 |
| Experience gains arising on scheme liabilities | **(18)** | (9) |
| Changes in assumptions underlying the present value of scheme liabilities | **(158)** | (63) |
| Actuarial loss/(gain) recognised in the consolidated statement of recognised income and expense before tax | **71** | (3) |
| Cumulative actuarial loss/(gain) recognised in the consolidated statement of recognised income and expense | **55** | (16) |

Deferred tax taken directly to equity on retirement benefit obligations was £31 million credit to equity (2008 – £10 million charge to equity).

### (g) History of the plans and experience adjustments

| | 2009 £m | 2008 £m | 2007 £m | 2006 £m | 2005 £m |
|---|---|---|---|---|---|
| Present value of defined benefit obligation and medical benefits | **1 186** | 1 203 | 1 317 | 1 351 | 1 256 |
| Fair value of plan assets | **(975)** | (1 112) | (1 188) | (1 179) | (1 012) |
| Net deficit | **211** | 91 | 129 | 172 | 244 |
| Experience adjustments on plan liabilities – (gain)/loss | **(18)** | (9) | 25 | 7 | 30 |
| Experience adjustments on plan assets – loss/(gain) | **247** | 69 | 3 | (108) | (11) |

All experience adjustments are recognised directly in equity, net of related tax (see the consolidated statement of recognised income and expense).

## 32 Provisions for other liabilities and charges

| | Insurance funds £m | Deferred consideration £m | Restructuring and closure provisions £m | Other provisions £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2007 | 20 | 19 | 37 | 19 | 95 |
| (Credited)/charged to the income statement | – | (1) | 32 | 8 | 39 |
| Utilised in the year | (3) | (8) | (40) | (11) | (62) |
| Businesses sold | (7) | – | (3) | (2) | (12) |
| Businesses acquired | – | – | – | 2 | 2 |
| Exchange differences | – | – | 6 | – | 6 |
| At 31 March 2008 | 10 | 10 | 32 | 16 | 68 |
| Charged/(credited) to the income statement | 4 | (2) | – | (1) | 1 |
| Utilised in the year | (4) | (8) | (27) | (5) | (44) |
| Exchange differences | 2 | – | 2 | 3 | 7 |
| **At 31 March 2009** | **12** | **–** | **7** | **13** | **32** |

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Provisions are expected to be utilised as follows: | | |
| Within one year | **11** | 54 |
| After more than one year | **21** | 14 |
| **Total** | **32** | 68 |

Insurance funds represent amounts provided by the Group's captive insurance subsidiary in respect of the expected level of insurance claims. These provisions are expected to be utilised within five years.

The deferred consideration provision relates to the deferred payments arising until the year ended 31 March 2009 from the Sucralose realignment in 2004. Payments were made to McNeil based on the achievement of certain minimum targets in respect of sales of Sucralose made by the Group. The Group continues to receive amounts from McNeil based on sales of Sucralose tabletop products made by McNeil for ten years from the date of the realignment. These receipts were shown up to 31 March 2006 as a deduction from goodwill. Since the elimination of goodwill the receipts are recognised in the income statement and only in the periods in which they are earned. In the year ended 31 March 2009 £9 million of receipts were recognised in the income statement (31 March 2008 – £7 million).

Restructuring and closure provisions primarily relate to the businesses which have been closed and to a reorganisation as a result of the disposal of the five starch plants in Europe. It is expected that the provisions will be fully utilised within the next three years. Included within other provisions are amounts provided for claims under clauses in the disposal agreements of businesses disposed. These provisions are expected to be utilised within the next few years. During the year, £2 million in respect of closure costs for the astaxanthin business was released to income.

The amount charged/credited to the income statement includes a charge of £1 million (2008 – £1 million) related to the unwinding of discounts.

## 33 Change in working capital

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Decrease/(increase) in inventories | **24** | (59) |
| Increase in receivables | **(42)** | (64) |
| Increase in payables | **34** | 89 |
| Decrease/(increase) in derivative financial instruments | **107** | (18) |
| Decrease in provisions for other liabilities and charges | **(36)** | (27) |
| Increase/(decrease) in retirement benefit obligations | **120** | (40) |
| Decrease in working capital items held for sale | **–** | 24 |
| Movement during year | **207** | (95) |
| The above movements include the following elements: | | |
| Exchange differences | **97** | (12) |
| Acquisitions, disposals and discontinued operations during the year | **(198)** | 14 |
| Deferred consideration | **–** | (23) |
| Actuarial (loss)/gain | **(71)** | 3 |
| Other items | **(4)** | (46) |
| Decrease/(increase) in working capital (continuing operations) | **31** | (159) |

Other items include non-cash movements in derivatives, and the elimination of balances within debtors and creditors attributable to interest, property, plant and equipment and investments.

## 34 Cash and cash equivalents

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Cash at bank and in hand | **102** | 101 |
| Short-term bank deposits | **332** | 64 |
| **Total** | **434** | 165 |

The effective interest rate on short-term deposits was 3.0% (2008 – 5.7%), which have an average maturity of 24 days (2008 – 53 days).

The carrying amount of cash and cash equivalents are denominated in the following currencies:

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Euro | **161** | 68 |
| US dollar | **235** | 48 |
| Sterling | **4** | 11 |
| Other | **34** | 38 |
| Total | **434** | 165 |

## 35 Net debt

The components of the Group's net debt are as follows:

| | Notes | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|---|
| Non-current borrowings | 29 | **(1 129)** | (858) |
| Current borrowings and overdrafts (note a) | 29 | **(523)** | (360) |
| Debt-related derivative instruments (note b) | 20 | **(13)** | 12 |
| Cash and cash equivalents | 34 | **434** | 165 |
| Net debt | | **(1 231)** | (1 041) |

(a) Current borrowings and overdrafts at 31 March 2009 include £98 million (31 March 2008 – £50 million) in respect of securitised receivables.

(b) Derivative financial instruments presented within assets and liabilities in the balance sheet of £93 million net liability comprise net debt-related instruments of £13 million liability and net non-debt-related instruments of £80 million liability (2008 – £14 million net asset comprising net debt-related instruments of £12 million asset and net non-debt-related instruments of £2 million asset).

Net debt is denominated in the following currencies:

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| Euro | **250** | 222 |
| US dollar | **947** | 843 |
| Sterling | **38** | (45) |
| Other | **(4)** | 21 |
| Total | **1 231** | 1 041 |

### 35 Net debt (continued)

Movements in the Group's net debt are as follows:

| | 2009 £m | 2008 £m |
|---|---|---|
| Balance at 1 April | **(1 041)** | (900) |
| Increase/(decrease) in cash and cash equivalents in the year | **229** | (32) |
| Cash outflow/(inflow) from decrease/(increase) in borrowings | **16** | (128) |
| Borrowings arising on acquisitions | **–** | (2) |
| Debt transferred on disposal of subsidiaries | **8** | 55 |
| Decrease/(increase) in net debt resulting from cash flows | **253** | (107) |
| Inception of finance leases | **(1)** | (2) |
| Trade finance recognised as debt | **(55)** | – |
| Fair value and other movements | **(9)** | – |
| Exchange differences | **(378)** | (32) |
| Increase in net debt in the year | **(190)** | (141) |
| Balance at 31 March | **(1 231)** | (1 041) |

### 36 Contingent liabilities

| | 31 March | |
|---|---|---|
| | 2009 £m | 2008 £m |
| Guarantees of loans and overdrafts of joint ventures and associates | **9** | 14 |
| Trade guarantees | **22** | 29 |

In addition to the above we have guaranteed the obligations of certain joint ventures to Payment Agencies in connection with Restructuring Aid. The Group's share of these guarantees is £66 million (2008 – £nil million).

Other trade guarantees have been given in the normal course of business by the Group at both 31 March 2009 and 31 March 2008. These are excluded from the figures given above and are in respect of Revenue and Customs and the Rural Payments Agency for Agricultural Produce bonds, ECGD recourse agreements, letters of credit and tender and performance bonds.

The Group is subject to claims and litigation generally arising in the ordinary course of its business, some of which are for substantial amounts. All such actions are strenuously defended but provision is made for liabilities that are considered likely to arise on the basis of current information and legal advice and after taking into account the Group's insurance arrangements.

While there is always uncertainty as to the outcome of any claim or litigation, it is not expected that claims and litigation existing at the balance sheet date will have a material adverse effect on the Group's financial position.

### 37 Commitments

#### Capital commitments

| | 31 March | |
|---|---|---|
| | 2009 £m | 2008 £m |
| Commitments for the acquisition of property, plant and equipment | **29** | 69 |

#### Operating lease arrangements

Operating lease payments represent rentals payable by the Group for certain of its land, buildings, plant and equipment. Certain operating lease agreements allow for renewal at the end of the original term at the option of the Group.

At the balance sheet date the Group has outstanding commitments under non-cancellable operating leases which, fall due as follows:

| | 31 March | |
|---|---|---|
| | 2009 £m | 2008 £m |
| Within one year | **34** | 32 |
| Later than one year and no later than five years | **105** | 98 |
| After five years | **98** | 98 |
| | **237** | 228 |

## 38 Acquisitions and disposals

### Acquisitions

During the year the Group paid £1 million of deferred consideration relating to the acquisition of Tate & Lyle South Africa in the year ended 31 March 2005. The payment represents an adjustment to the purchase price and is recognised as an addition to goodwill in the year (Note 15).

In the year ended 31 March 2008, the Group acquired 80% of the issued share capital of G. C. HAHN & Co. (Hahn). The Group effectively bears all the risks and rewards for 100% of the business and therefore no minority interest is recognised in the Group's financial statements. The acquisition agreement allows for the Group to acquire the remaining 20% of the issued share capital of Hahn prior to 1 January 2020 through put and call options. As at 31 March 2009, this option had not yet been exercised. At 31 March 2009 deferred consideration of £28 million is recognised in trade and other payables. The table below sets out the fair value adjustments arising on this acquisition.

| | Book value on acquisition £m | Fair value adjustments £m | Fair value £m |
|---|---|---|---|
| Intangible assets | – | 52 | 52 |
| Property, plant and equipment | 11 | 1 | 12 |
| Inventories | 8 | 2 | 10 |
| Trade and other receivables | 18 | (2) | 16 |
| Cash and cash equivalents | 5 | – | 5 |
| Trade and other payables | (9) | (1) | (10) |
| Provisions | – | (2) | (2) |
| Borrowings | (2) | – | (2) |
| Deferred tax liabilities | – | (17) | (17) |
| | 31 | 33 | 64 |
| Goodwill | | | 36 |
| Consideration payable | | | 100 |
| Satisfied by: | | | |
| Cash consideration, including costs | | | 80 |
| Deferred consideration | | | 20 |
| | | | 100 |
| Cash movement: | | | |
| Cash consideration, including costs | | | 80 |
| Less cash and cash equivalents acquired | | | (5) |
| Net cash outflow in the year | | | 75 |

Goodwill on acquisition relates to anticipated synergies that do not meet the criteria for recognition as an intangible asset at the date of acquisition.

### Disposals

*International Sugar Trading*

On 31 March 2009, the Group completed the disposal of its International Sugar Trading business. Total consideration, net of disposal costs was £57 million.

| | £m |
|---|---|
| Total consideration, net of costs | 57 |
| Net assets disposed | (14) |
| Trade and other payables assumed | (43) |
| Other items, including risk transfer payments and fair value adjustments | (22) |
| Loss on disposal | (22) |
| Cash flows: | |
| Cash consideration, net of costs | 57 |
| Cash inflow in the year | 57 |

### 38 Acquisitions and disposals (continued)

Net assets disposed comprised inventories. The disposal generated a cash inflow of £57 million; an outflow is anticipated in the forthcoming year of approximately £29 million.

A number of other investments relating to the International Sugar Trading business were not included in the initial sale and are being addressed separately in accordance with the relevant shareholders' agreements. The sales of some of these interests, with associated profits, are expected to occur in the year ending 31 March 2010 and the investments are classified as held for sale. The sale of the International Sugar Trading business and the anticipated disposal of the other investments are together unlikely to generate a material profit or loss on disposal.

***Other disposals***
On 21 January 2009, the Group disposed of its shareholding in Orsan UK Ltd, the holding company of its Chinese monosodium glutamate business. Total consideration, net of provisioning and disposal costs was £1 million and the profit on disposal was £2 million. The cash impact of the disposal was an outflow of £4 million.

In the year ended 31 March 2008, the Group made the following disposals:

- Tate & Lyle Canada (Redpath) on 22 April 2007 for total consideration, net of disposal costs of £140 million;
- five European starch plants on 1 October 2007 for total consideration, net of disposal costs of £212 million; and
- its 49% indirect shareholding in Occidente on 28 December 2007 for total consideration, net of disposal costs of £46 million.

Net assets disposed comprised:

| | Redpath £m | European starch plants £m | Occidente £m |
|---|---|---|---|
| Property, plant and equipment | 51 | 172 | 26 |
| Available-for-sale financial assets | – | – | 1 |
| Intangible assets | – | 2 | – |
| Inventories | 22 | 42 | 19 |
| Provisions | – | (4) | (1) |
| Retirement benefit surplus/(obligation) | 2 | (4) | – |
| Trade and other receivables | 22 | 150 | 5 |
| Cash and cash equivalents | 6 | 20 | 4 |
| Trade and other payables | (18) | (118) | (6) |
| Borrowings | – | (43) | (12) |
| Net assets disposed | 85 | 217 | 36 |
| Goodwill written-off | – | (15) | – |
| Other items, including exchange differences transferred from equity | 5 | 12 | (2) |
| Total consideration, net of costs | 140 | 212 | 46 |
| Profit/(loss) on disposal | 60 | (8) | 8 |
| Cash flows: | | | |
| Cash consideration, net of costs | 139 | 223 | 46 |
| Cash disposed | (6) | (20) | (4) |
| Cash inflow in the year | 133 | 203 | 42 |

On 26 April 2007, the Group disposed of its shareholding in Pure Cane Molasses for cash consideration of £4 million. The loss on disposal was £1 million.

On 15 June 2007, the Group disposed of its shareholding in Tate & Lyle Reinsurance, comprising part of its reinsurance operations and including cash balances of £2 million, for cash consideration of £3 million. The loss on disposal was £1 million.

### 39 Post balance sheet events

Subsequent to the year end, the Board endorsed its decision to mothball the Sucralose McIntosh site. An impairment charge of £97 million has been recognised in connection with this endorsement and the Group expects to incur charges in the region of £60 million in the forthcoming year completing the mothballing.

## 40 Related party disclosures

**Identity of related parties**

The Group has related party relationships with its subsidiaries, joint ventures and associates, the Group's pension schemes and with key management being its directors and executive officers. No related party relationships with close family members of the Group's key management existed in the current or prior year.

**Subsidiaries, joint ventures and associates**

Transactions entered into by the Company with subsidiaries and between subsidiaries as well as the resultant balances of receivables and payables are eliminated on consolidation and are not required to be disclosed. Similarly, the Group's share of transactions entered into by the Company and its subsidiaries with joint ventures and between joint ventures as well as the Group's share of the resultant balances of receivables and payables are eliminated on consolidation. Transactions and balances with joint ventures (before consolidation eliminations) and with associates are as follows:

| | 31 March | |
|---|---|---|
| **Continuing** | **2009 £m** | 2008 £m |
| **Sales of goods and services** | | |
| – to joint ventures | **61** | 33 |
| **Purchases of goods and services** | | |
| – from joint ventures | **209** | 97 |
| **Receivables** | | |
| – due from joint ventures | **14** | 12 |
| – due from associates | **–** | – |
| **Payables** | | |
| – due to joint ventures | **26** | 27 |
| – due to associates | **–** | 1 |
| **Financing** | | |
| – loans to joint ventures | **10** | 8 |
| – deposits from joint ventures | **42** | 30 |

| | 31 March | |
|---|---|---|
| **Discontinued** | **2009 £m** | 2008 £m |
| **Sales of goods and services** | | |
| – to joint ventures | **–** | 8 |
| **Purchases of goods and services** | | |
| – from joint ventures | **–** | 8 |
| **Financing** | | |
| – loans to joint ventures | **–** | – |
| – deposits from joint ventures | **53** | – |

The Group had no material related party transactions containing unusual commercial terms.

**Key management**

Key management compensation is disclosed in Note 9.

## 41 Foreign exchange rates

The following exchange rates have been applied in the translation of the financial statements of foreign subsidiaries, joint ventures and associates:

| | Year to 31 March | |
|---|---|---|
| | **2009** | 2008 |
| **Average foreign exchange rates** | | |
| £1 = US$ | **1.80** | 2.01 |
| £1 = € | **1.19** | 1.42 |

| | 31 March | |
|---|---|---|
| | **2009** | 2008 |
| **Year end foreign exchange rates** | | |
| £1 = US$ | **1.43** | 1.99 |
| £1 = € | **1.08** | 1.26 |

## 42 Main subsidiaries and investments

| **Subsidiaries based in the UK**[1] | Type of business | Percentage of equity attributable to Tate & Lyle PLC |
|---|---|---|
| Cesalpinia UK Limited | Blending | 100.0 |
| G. C. HAHN & Co. Limited[4] | Blending | 100.0 |
| Tate & Lyle Holdings Limited[2] | Holding company | 100.0 |
| Tate & Lyle Industrial Holdings Limited[2] | Holding company | 100.0 |
| Tate & Lyle Industries Limited | See below | 100.0 |
| Tate & Lyle International Finance PLC[2] | In-house treasury company | 100.0 |
| Tate & Lyle Investment Services Limited | Holding company | 100.0 |
| Tate & Lyle Investments Limited[2] | Holding company | 100.0 |
| Tate & Lyle LLC | Holding company | 100.0 |
| The Molasses Trading Company Limited | Holding company | 100.0 |
| United Molasses (Ireland) Limited[3] | Molasses | 50.0 |

1. Registered in England and Wales, except United Molasses (Ireland) Limited, which is registered in Northern Ireland and Tate & Lyle LLC which is registered in Delaware, USA.
2. Direct subsidiaries of Tate & Lyle PLC.
3. Non-coterminous year end.
4. The Group holds 80% of the issued capital of Hahn and has the right to acquire the remaining 20% through a call option. However, due to the structure of the acquisition agreement, the Group effectively bears all the risks and rewards for 100% of the business and therefore no minority interest is recognised.

| **Main operating units of Tate & Lyle Industries Limited** | Type of business |
|---|---|
| Tate & Lyle Process Technology | Sugar technology |
| Tate & Lyle Sugars, Europe | Sugar refining, molasses and bulk liquid storage |

## 42 Main subsidiaries and investments (continued)

| Subsidiaries operating overseas | | Type of business | | Percentage of equity attributable to Tate & Lyle PLC |
|---|---|---|---|---|
| **Australia** | G. C. HAHN & Co. (Australia) Pty Ltd[2] | Blending | | 100.0 |
| | Tate & Lyle ANZ Pty Ltd | Sucralose distribution | | 100.0 |
| **Belgium** | Tate & Lyle Molasses Belgium NV | Molasses | | 100.0 |
| **Bermuda** | Tate & Lyle Management & Finance Limited | Management & finance | | 100.0 |
| **Brazil** | Tate & Lyle Brasil SA[1] | Citric acid and Sugar Trading | | 100.0 |
| **British Virgin Islands** | Anglo Vietnam Sugar Investments Limited | Holding company | | 75.0 |
| **China** | Tate & Lyle Trading (Shanghai) Ltd | Sucralose distribution | | 100.0 |
| **France** | France Melasse SA[1] | Molasses | | 66.6 |
| | Société Européenne des Mélasses SA[1] | Holding company | | 66.6 |
| **Germany** | G. C. HAHN & Co. Stabilisierungstechnik GmbH[2] | Blending | | 100.0 |
| | Tate & Lyle Molasses Germany GmbH | Molasses | | 100.0 |
| **Gibraltar** | Tate & Lyle Insurance (Gibraltar) Ltd | Reinsurance | | 100.0 |
| **Hong Kong** | Tate & Lyle Asia Limited | Sucralose distribution | | 100.0 |
| **Israel** | Tate & Lyle Gadot Manufacturing Limited | Sugar refining | | 65.0 |
| **Italy** | Cesalpinia Food SPA | Blending | | 100.0 |
| | Tate & Lyle Molasses Italy SrL | Molasses | | 100.0 |
| **Mauritius** | The Mauritius Molasses Company Limited | Molasses | | 66.7 |
| **Mexico** | Continental Colloids Mexicana SA | Blending | | 100.0 |
| | Mexama, SA de CV[1] | Citric acid | | 65.0 |
| | Tate & Lyle Mexico SA de CV[1] | Holding company | | 100.0 |
| **Morocco** | Tate & Lyle Morocco SA | Cereal sweeteners & starches | | 100.0 |
| **Mozambique** | Companhia Exportadora de Melaços | Molasses | | 100.0 |
| **Netherlands** | Tate & Lyle Holland BV | Holding company | | 100.0 |
| | Tate & Lyle Molasses Holland BV | Molasses | | 100.0 |
| | Tate & Lyle Netherlands BV | Cereal sweeteners & starches | | 100.0 |
| **Norway** | Tate & Lyle Norge A/S | Sugar distribution | | 100.0 |
| **Portugal** | Alcântara Empreendimentos SGPS, SA[1] | Holding company | | 100.0 |
| | Tate & Lyle Açucares Portugal, SA[1] | Sugar refining | | 100.0 |
| | Tate & Lyle Molasses Portugal Ltda | Molasses | | 100.0 |
| **Singapore** | Tate & Lyle Singapore Pte Ltd | High intensity sweeteners | | 100.0 |
| **South Africa** | Tate & Lyle South Africa | Blending | | 100.0 |
| **Spain** | Tate & Lyle Molasses Spain SA | Molasses | | 100.0 |
| **Trinidad** | Caribbean Bulk Storage and Trading Company Ltd[1] | Molasses | | 100.0 |
| **USA** | Staley Holdings Inc | Holding company | | 100.0 |
| | Tate & Lyle Custom Ingredients, LLC | Blending | | 100.0 |
| | Tate & Lyle Finance, Inc | In-house banking | | 100.0 |
| | Tate & Lyle Holdings (US) LLP | Holding company | | 100.0 |
| | Tate & Lyle Ingredients Americas, Inc | Cereal sweeteners & starches | | 100.0 |
| | Tate & Lyle Sucralose, LLC | High intensity sweeteners | | 100.0 |
| | TLI Holdings Inc | In-house banking | | 100.0 |
| **Vietnam** | Nghe An Tate & Lyle Sugar Company Limited | Cane sugar manufacture | (80.9) | 60.7 |

1. Non-coterminous year end.
2. The Group holds 80% of the issued capital of G. C. HAHN & Co. and has the right to acquire the remaining 20% through a call option. However, due to the structure of the acquisition agreement, the Group effectively bears all the risks and rewards for 100% of the business and therefore no minority interest is recognised.

## 42 Main subsidiaries and investments (continued)

| Joint ventures | | Type of business | | Percentage of equity attributable to Tate & Lyle PLC |
|---|---|---|---|---|
| **Bulgaria** | Amylum Bulgaria EAD[1, 2] | Cereal sweeteners & starches | (100.0) | 50.0 |
| **Colombia** | Sucromiles SA[2] | Citric acid | | 50.0 |
| **Hungary** | Hungrana Kft[1, 2] | Cereal sweeteners & starches | (50.0) | 25.0 |
| **Ireland** | Premier Molasses Company Ltd[2] | Molasses | | 50.0 |
| **Mexico** | Almidones Mexicanos SA[2] | Cereal sweeteners & starches | | 50.0 |
| **Netherlands** | Eaststarch CV | Holding company | | 50.0 |
| **Romania** | Amylum Romania SRL[1, 2] | Cereal sweeteners & starches | (100.0) | 50.0 |
| **Slovakia** | Amylum Slovakia spol sro[1,] | Cereal sweeteners & starches | (100.0) | 50.0 |
| **Spain** | Compania de Melazas SA[2] | Molasses | | 50.0 |
| **Turkey** | Amylum Nisasta AS[1] | Cereal sweeteners & starches | (100.0) | 50.0 |
| **USA** | DuPont Tate & Lyle Bio Products Company, LLC | Industrial ingredients | | 50.0 |

The share capital held is of ordinary shares.

1. Share capital held by Eaststarch CV.
2. Non-coterminous year end.

| Associates | | Type of business | Percentage of equity attributable to Tate & Lyle PLC |
|---|---|---|---|
| **Italy** | Eridania Sadam | Sugars | 35.0 |
| **Thailand** | Tapioca Development Corporation[1] | Starch production | 33.3 |
| **USA** | Microbia Precision Engineering Inc.[2] | Bio-development | 14.0 |

1. Non-coterminous year end.
2. The Group exercises significant influence over Microbia and the investment is accounted for as an associate.

The proportion of shares held by Tate & Lyle PLC, its subsidiaries, joint ventures and associates is shown in brackets where it is different from the percentage of equity attributable to Tate & Lyle PLC.

Those entities which have non-coterminous year ends are consolidated in the Group accounts using management accounts for the period to 31 March.

## 43 Reconciliation to adjusted information

As explained in Note 1, adjusted information is presented as it provides both management and investors with valuable additional information on the performance of the business. The following items are excluded from adjusted information:

- discontinued operations;
- exceptional items including profits/losses on disposals of businesses and impairments; and
- amortisation of acquired intangibles.

The following table shows the reconciliation of the statutory information presented in the income statement to the adjusted information:

| | Year to 31 March 2009 | | | Year to 31 March 2008 | | |
|---|---|---|---|---|---|---|
| | Reported £m | Exceptional/ amortisation £m | Adjusted £m | Reported £m | Exceptional/ amortisation £m | Adjusted £m |
| **Continuing operations** | | | | | | |
| Sales | **3 553** | **–** | **3 553** | 2 867 | – | 2 867 |
| Operating profit | **164** | **134** | **298** | 224 | 71 | 295 |
| Net finance expense | **(51)** | **–** | **(51)** | (42) | – | (42) |
| Profit before tax | **113** | **134** | **247** | 182 | 71 | 253 |
| Income tax expense | **(19)** | **(49)** | **(68)** | (76) | (8) | (84) |
| Minority interests | **(5)** | **–** | **(5)** | 7 | (10) | (3) |
| Profit attributable to equity holders of the Company | **89** | **85** | **174** | 113 | 53 | 166 |
| Basic EPS (p) | **19.5** | **18.7** | **38.2** | 23.8 | 11.2 | 35.0 |
| Diluted EPS (p) | **19.4** | **18.6** | **38.0** | 23.6 | 11.0 | 34.6 |
| Tax rate | **16.8%** | | **27.3%** | 41.8% | | 33.2% |
| **Discontinued operations** | | | | | | |
| Sales | **852** | **–** | **852** | 951 | – | 951 |
| Operating (loss)/profit | **(21)** | **22** | **1** | 96 | (60) | 36 |
| Net finance (expense)/income | **(2)** | **–** | **(2)** | 1 | – | 1 |
| (Loss)/profit before tax | **(23)** | **22** | **(1)** | 97 | (60) | 37 |
| Income tax expense | **(1)** | **–** | **(1)** | (16) | 8 | (8) |
| Minority interests | **–** | **–** | **–** | – | – | – |
| (Loss)/profit attributable to equity holders of the Company | **(24)** | **22** | **(2)** | 81 | (52) | 29 |
| Basic EPS (p) | **(5.3)** | **4.9** | **(0.4)** | 17.1 | (11.0) | 6.1 |
| Diluted EPS (p) | **(5.3)** | **4.8** | **(0.5)** | 16.8 | (10.8) | 6.0 |
| Tax rate | **(3.8)%** | | **(75.0)%** | 16.5% | | 21.6% |
| **Total operations** | | | | | | |
| Sales | **4 405** | **–** | **4 405** | 3 818 | – | 3 818 |
| Operating profit | **143** | **156** | **299** | 320 | 11 | 331 |
| Net finance expense | **(53)** | **–** | **(53)** | (41) | – | (41) |
| Profit before tax | **90** | **156** | **246** | 279 | 11 | 290 |
| Income tax expense | **(20)** | **(49)** | **(69)** | (92) | – | (92) |
| Minority interests | **(5)** | **–** | **(5)** | 7 | (10) | (3) |
| Profit attributable to equity holders of the Company | **65** | **107** | **172** | 194 | 1 | 195 |
| Basic EPS (p) | **14.2** | **23.6** | **37.8** | 40.9 | 0.2 | 41.1 |
| Diluted EPS (p) | **14.1** | **23.4** | **37.5** | 40.4 | 0.2 | 40.6 |
| Tax rate | **22.2%** | | **27.8%** | 33.0% | | 31.7% |

# Independent Auditors' Report to the Members of Tate & Lyle PLC: parent company financial statements

We have audited the parent company financial statements of Tate & Lyle PLC for the year ended 31 March 2009 which comprise the parent company balance sheet and the Notes to the parent company financial statements. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of Tate & Lyle PLC for the year ended 31 March 2009.

**Respective responsibilities of directors and auditors**
The directors' responsibilities for preparing the annual report, the directors' remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you as to whether in our opinion the information given in the directors' report is consistent with the parent company financial statements. The information given in the directors' report includes that specific information presented in the 'What we do' and 'How we performed' sections that are cross-referred from the business review section of the directors' report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the 'Overview of the year', the 'What we do', 'How we performed' and the 'How we run the business' sections, the directors' report, the unaudited part of the directors' remuneration report, the ten-year review and the information for investors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the directors' remuneration report to be audited.

**Opinion**
In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants and
Registered Auditors
1 Embankment Place
London WC2N 6RH
*27 May 2009*

# Parent company balance sheet

| | Notes | 2009 £m | 2008 £m |
|---|---|---|---|
| | | Year to 31 March | |
| **Fixed assets** | | | |
| Tangible assets | 2 | **2** | 2 |
| Investments in subsidiary undertakings | 3 | **1 879** | 1 828 |
| Investment in associates | 4 | **1** | 1 |
| | | **1 882** | 1 831 |
| **Current assets** | | | |
| Debtors – due within one year | 5 | **53** | 45 |
| Debtors – due after more than one year | 5 | **3** | 5 |
| | | **56** | 50 |
| **Creditors – due within one year** | 6 | **(135)** | (585) |
| **Net current liabilities** | | **(79)** | (535) |
| **Total assets less current liabilities** | | **1 803** | 1 296 |
| Creditors – due after more than one year | 7 | **(514)** | (428) |
| Provisions for liabilities and charges | 9 | **(3)** | (3) |
| **Total net assets** | | **1 286** | 865 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | **115** | 114 |
| Share premium account | 13 | **404** | 404 |
| Capital redemption reserve | 13 | **8** | 8 |
| Profit and loss account | 13 | **759** | 339 |
| **Shareholders' funds** | | **1 286** | 865 |

The parent company financial statements were approved by the Board of directors on 27 May 2009 and signed on its behalf by:

**Sir David Lees, Iain Ferguson, Tim Lodge** Directors

Registered no. 76535

*The notes on pages 158 to 163 form part of these parent company financial statements.*

# Notes to the parent company financial statements

## 1 Parent company accounting policies

### Accounting basis

The parent company financial statements are prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable UK accounting standards. As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account and statement of total recognised gains and losses are not presented in these financial statements. The Tate & Lyle PLC consolidated financial statements for the year ended 31 March 2009 contain a consolidated statement of cash flows. Consequently the Company has taken the exemption available in FRS1 (Revised 1996) *Cash flow statements*, and has not presented its own cash flow statement.

### New UK standards and interpretations adopted

The following new standards, amendments and interpretations were adopted by the Company in the year. Adoption had no effect on the results, financial position of the Company or its disclosures.

– Amendment to FRS17: Retirement Benefits
– Amendments and clarification amendments to FRS26: Financial Instruments: Recognition and Measurement and FRS29 Financial Instruments: Disclosures and consequential amendments to UITF42 Reassessment of Embedded Derivatives

### New UK standards and interpretations not adopted

The following amendments to Financial Reporting Standards have been issued but have not been adopted yet by the Company:

– Amendment to FRS8 Related Party Disclosures
– Amendment to FRS20 Share-based Payment – Vesting conditions and cancellations
– UITF Abstract 46 Hedges of a Net Investment in a Foreign Operation
– Amendment to FRS25 Financial Instruments: Presentation – Puttable financial instruments and obligations arising on liquidation
– Amendment to FRS26 Financial Instruments: Recognition and Measurement – Eligible hedged items
– Improvements to Financial Reporting Standards

The amendments to FRS8 and FRS20 and UITF Abstract 46 are effective for the Company in its accounting period beginning on 1 April 2009. Amendments to FRS25, FRS26 and the improvements to Financial Reporting Standards are effective for the Company in its accounting period beginning on 1 April 2010.

The adoption of these amendments is not expected to have a material impact on the Company's profit for the year or equity. The adoptions may affect disclosures in the Company's financial statements.

### Tangible fixed assets

Depreciation is provided on a straight-line basis to write off the cost of tangible fixed assets over their estimated useful life. The tangible fixed assets comprise plant and machinery which are depreciated over a period of 3 to 28 years. Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable.

### Investments

Unless they are financed by foreign currency borrowings and designated as a fair value hedging relationship, investments in subsidiaries and associates are shown at cost less amounts written off where there is a permanent diminution in value. Investments in shares in overseas undertakings that are financed by foreign currency borrowings and designated as a fair value hedging relationship are retranslated into pounds sterling at the exchange rate ruling at the balance sheet date and the resulting exchange gains and losses are recognised in the profit and loss account. Exchange gains and losses on the related foreign currency borrowings are also recognised in the profit and loss account in accordance with FRS23 *The Effects of Changes in Foreign Exchange Rates*.

An undertaking is regarded as a subsidiary undertaking if the Company has control over its operating and financial policies.

An undertaking is regarded as an associate if the Company holds a participating interest and has significant influence, but not control, over its operating and financial policies. Significant influence generally exists where the Company holds more than 20% and less than 50% of the shareholders' voting rights.

All loans and receivables to and from subsidiary undertakings are shown at cost less amounts written off where deemed unrecoverable.

### Leases

Operating lease costs are charged to profit as incurred.

### Research and development

All expenditure on research and development is charged to profit as incurred.

## 1 Parent company accounting policies (continued)

### Retirement benefits

The Company contributes to the Group pension plan operated in the UK. Details of the plan are included within Note 31 of the Group financial statements. As permitted under FRS17 Retirement Benefits, the plan is accounted for as a defined contribution plan, as the employer cannot identify its share of the underlying assets and liabilities of the plan. The employer's contributions relate to the current service period only and are charged to the income statement as they are incurred.

### Deferred tax

Deferred tax is recognised on a full provision basis on timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes that have arisen but not reversed at the balance sheet date. Deferred tax is not recognised on permanent differences or on timing differences arising on unremitted profits of overseas subsidiaries. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be sufficient future taxable profits to permit tax relief of the underlying timing differences.

### Foreign currencies

Assets and liabilities in foreign currencies are translated into pounds sterling at the rates of exchange ruling on the last day of the financial period (the closing rate). Profits and losses are translated into pounds sterling at the prevailing rate at the time of transaction and credited or charged to the profit and loss account.

### Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans. Details of the plans are included within Note 27 of the Group financial statements. The fair value of employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, earnings targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, for options granted with non-market vesting conditions, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

### Dividend distribution

A dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, by the Board of directors.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital and holds that share either directly as treasury shares or indirectly within an ESOP trust, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders. These shares are used to satisfy share options granted to employees under the Group's share option schemes. The trustee purchases the Company's shares on the open market using loans made by the Company or other loans guaranteed by the Company.

## 2 Tangible fixed assets

The net book value of tangible fixed assets of £2 million (2008 – £2 million) comprises plant and machinery. Net book value comprises cost of £4 million (2008 – £4 million) less accumulated depreciation of £2 million (2008 – £2 million).

## 3 Investments in subsidiary undertakings

| | Shares in subsidiary undertakings £m | Loans to subsidiary undertakings £m | Total £m |
|---|---|---|---|
| At 1 April 2008 | 1 601 | 227 | 1 828 |
| Increase – share-based payments | 2 | – | 2 |
| Impairment | (79) | – | (79) |
| Exchange differences | 111 | 17 | 128 |
| **At 31 March 2009** | **1 635** | **244** | **1 879** |

Shares in subsidiary undertakings are stated at cost or earliest ascribed value less amounts provided of £149 million (2008 – £70 million). Loans to subsidiary undertakings are stated net of amounts provided of £9 million (2008 – £9 million). The impairment reflects the writedown to recoverable amount of the Company's investment in Tate & Lyle Services Belgium NV. A list of the Company's significant investments is provided in Note 42 of the Group financial statements.

## 4 Investment in associates

The Company holds a 16.6% interest in Tapioca Development Corporation, a company incorporated in Thailand, for book value of £1 million (2008 – £1 million).

## 5 Debtors

| | 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| **Due within one year** | | |
| UK taxation | **7** | 3 |
| Amounts due from subsidiary undertaking | **38** | 33 |
| Other debtors | **7** | 8 |
| Prepayments and accrued income | **1** | 1 |
| **Total** | **53** | 45 |

| | | 31 March | |
|---|---|---|---|
| | Note | **2009 £m** | 2008 £m |
| **Due after more than one year** | | | |
| Deferred tax | 8 | **3** | 5 |
| **Total** | | **3** | 5 |

## 6 Creditors – due within one year

| | | 31 March |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Amounts owed to subsidiary undertakings | **126** | 563 |
| Other creditors | **5** | 1 |
| Accruals and deferred income | **4** | 21 |
| **Total** | **135** | 585 |

The effective interest rate applicable to amounts owed to subsidiary undertakings at 31 March 2009 is 1.6% (2008 – 4.8%). Amounts owed to subsidiary undertakings are repayable on demand.

## 7 Creditors – due after more than one year

| | | 31 March |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Amounts owed to subsidiary undertakings | **512** | 426 |
| Preference shares | **2** | 2 |
| **Total** | **514** | 428 |

The effective interest rate applicable to amounts owed to subsidiary undertakings at 31 March 2009 is 6.5% (2008 – 6.5%). Amounts owed to subsidiary undertakings at year end mature after more than three years (2008 – mature after more than four years).

## 8 Deferred tax

Deferred tax charged to profit in the year was £2 million (2008 – £6 million).

## 9 Provisions for liabilities and charges

| | Restructuring £m | Other £m | Total £m |
|---|---|---|---|
| At 31 March 2008 | 2 | 1 | 3 |
| Charged to the profit and loss account | 1 | – | 1 |
| Utilised in the year | (1) | – | (1) |
| **At 31 March 2009** | **2** | **1** | **3** |

Provisions primarily relate to restructuring as a result of the disposal of the five European starch plants and are expected to be utilised within the next 12 months.

## 10 Contingent liabilities

| | | 31 March |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Loans and overdrafts of subsidiaries, joint ventures and associates and former subsidiaries guaranteed | **1 407** | 1 039 |

Guarantees given in respect of drawn and undrawn loans and overdrafts by Tate & Lyle PLC were £2,807 million at 31 March 2009 (2008 – £2,041 million).

Other trade guarantees have been given in the normal course of business by Tate & Lyle PLC at both 31 March 2009 and 31 March 2008. These are excluded from the figures given above and are in respect of Revenue and Customs and the Rural Payments Agency for Agricultural Produce bonds, ECGD recourse agreements, letters of credit and tender and performance bonds.

## 11 Financial commitments

Annual payments made by the Company in the year ended 31 March 2009 in respect of operating leases that expire later than one year and no later than five years were £3 million (2008 – £4 million expiring after more than five years).

## 12 Called up share capital

### Authorised equity share capital

| | 31 March 2009 £m | 31 March 2008 £m |
|---|---|---|
| 790,424,000 ordinary shares of 25p each (2008 – 790,424,000) | **198** | 198 |

### Allotted, called up and fully paid equity share capital

| | 31 March 2009 | | 31 March 2008 | |
|---|---|---|---|---|
| | **Shares** | **£m** | Shares | £m |
| At 1 April | **459 910 466** | **114** | 489 824 398 | 122 |
| Allotted under share option schemes | **102 335** | **1** | 413 068 | – |
| Market purchases | **–** | **–** | (30 327 000) | (8) |
| At 31 March | **460 012 801** | **115** | 459 910 466 | 114 |

### Treasury shares and shares held in ESOP trust

As at 31 March 2009, the Group held 1,328,502 shares (2008 – 2,755,073 shares) in Treasury.

During the year 1,426,571 shares (2008 – 544,927 shares) were released from Treasury to satisfy share options exercised.

The shares held in Treasury at 31 March 2009 represented 0.3% (2008 – 0.6%) of the share capital at the year end, and have a nominal value of £0.3 million (2008 – £0.6 million).

## 13 Reconciliation of movements in shareholders' funds

| | Ordinary shares £m | Share premium account £m | Capital redemption reserve £m | Profit and loss account £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2008 | 114 | 404 | 8 | 339 | 865 |
| Proceeds from shares issued | 1 | – | – | 2 | 3 |
| Share-based payments | – | – | – | 4 | 4 |
| Ordinary dividends paid | – | – | – | (104) | (104) |
| Profit for the year | – | – | – | 518 | 518 |
| **At 31 March 2009** | **115** | **404** | **8** | **759** | **1 286** |

The profit for the year before dividends dealt with in the financial statements of the Company amounted to £518 million (2008 – £168 million loss).

The remaining amount available for the payment of dividends by the Company at 31 March 2009 was £759 million (2008 – £339 million).

### 14 Related parties

As permitted by FRS8 Related Party Disclosures, disclosure of related party transactions with other companies controlled by Tate & Lyle PLC is not provided and there were no reportable transactions with other related parties.

### 15 Profit and loss account disclosures

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

The Company employed 90 staff including directors (2008 – 89) and the total staff costs are shown below:

| | Year to 31 March | |
|---|---|---|
| | **2009 £m** | 2008 £m |
| Wages and salaries | **11** | 16 |
| Social security | **1** | 2 |
| Retirement benefits | **1** | 2 |
| **Total** | **13** | 20 |

Directors' emoluments disclosures are provided in the directors' remuneration report on pages 84 to 96 of this annual report and in Note 9 of the Group financial statements.

### 16 Dividends

Details of the Company's dividends are set out in Note 14 of the Group financial statements.

# Ten-year review financial years to 31 March

| | UK GAAP[2] | | | | | IFRS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Share information** | 2000 | 2001 | 2002 | 2003 | 2004[1] | 2005[3,4,7] | 2006[4,7] | 2007[4] | 2008[4] | **2009[4]** |
| Pence per 25p ordinary share | | | | | | | | | | |
| Closing share price | 227.0 | 228.8 | 349.2 | 299.0 | 297.2 | 531.5 | 571.0 | 575.0 | 540.0 | **260.5** |
| Earnings – basic[6] | 24.3 | (50.0) | 24.7 | 27.8 | 32.7 | 31.0 | (6.3) | 44.3 | 40.9 | **14.2** |
| basic, before amortisation and exceptional items[6] | 30.0 | 14.8 | 22.2 | 33.1 | 34.0 | 37.7 | 42.4 | 48.7 | 41.1 | **37.8** |
| Earnings – diluted[6] | 24.2 | (49.8) | 24.6 | 27.7 | 32.6 | 30.6 | (6.3) | 43.6 | 40.4 | **14.1** |
| diluted, before amortisation and exceptional items[6] | 29.9 | 14.8 | 22.1 | 33.0 | 33.9 | 37.4 | 41.7 | 47.9 | 40.6 | **37.5** |
| Dividend | 17.8 | 17.8 | 17.8 | 18.3 | 18.8 | 19.4 | 20.0 | 21.5 | 22.6 | **22.9** |
| Closing market capitalisation (£ million) | 1 039 | 1 102 | 1 683 | 1 441 | 1 435 | 2 586 | 2 791 | 2 816 | 2 484 | **1 198** |
| **Business ratios** | | | | | | | | | | |
| **Interest cover – times** | 3.6 | 2.3 | 3.3 | 7.6 | 9.3 | 11.6 | 9.9 | 8.4 | 7.8 | **6.1** |
| Profit before interest, exceptional items and amortisation divided by net finance expense[5,6] | | | | | | | | | | |
| **Gearing** | 64% | 91% | 59% | 45% | 40% | 48% | 92% | 90% | 110% | **122%** |
| Net borrowings as a percentage of total net assets[6] | | | | | | | | | | |
| **Net margin** | 7.0% | 4.3% | 5.3% | 7.8% | 7.7% | 8.3% | 8.8% | 9.2% | 8.7% | **6.8%** |
| Profit before interest, exceptional items and amortisation as a percentage of sales[6] | | | | | | | | | | |
| **Return on net operating assets** | 13.5% | 8.5% | 10.5% | 14.2% | 15.4% | 18.8% | 18.9% | 18.9% | 15.5% | **12.7%** |
| Profit before interest and exceptional items as a percentage of average net operating assets[6] | | | | | | | | | | |
| **Dividend cover – times** | | | | | | | | | | |
| Basic earnings per share after exceptional items and amortisation divided by dividends per share[6] | 1.4 | (2.8) | 1.4 | 1.5 | 1.7 | 1.6 | (0.3) | 2.1 | 1.8 | **0.6** |
| Basic earnings per share before exceptional items and amortisation divided by dividends per share[6] | 1.7 | 0.8 | 1.2 | 1.8 | 1.8 | 1.9 | 2.1 | 2.3 | 1.8 | **1.7** |

1. Comparative figures for 2004 have been restated to reflect the adoption of UITF38 Accounting for ESOP Trusts.
2. Comparative figures for 1999 to 2004 have not been restated to reflect the adoption of IFRS from 1 April 2004.
3. Comparative figures for 2005 have not been restated to reflect the adoption of IAS32/39 from 1 April 2005.
4. 'Amortisation' relates to the amortisation of acquired intangible assets.
5. Under UK GAAP interest cover was calculated using only the profit before interest, exceptional items and amortisation, and the net finance expense of Tate & Lyle PLC and its subsidiaries. From 2007, interest cover has been calculated using the same basis as set out in the Group's external bank covenants.
6. These ratios have been calculated using the results of both continuing and discontinued operations.
7. Comparative figures for 2005 and 2006 have been restated to reflect the adoption of IFRIC4.

In 2000, the Group changed its accounting reference date from 30 September to 31 March, resulting in an extended accounting period of 18 months to March 2000.

Results presented above are for years to 31 March and have been calculated using the Group's published interim and full-year financial statements.

In order to show the underlying trend of dividend payments, dividends shown in the above table have been adjusted to exclude from the dividend of 26.9p per share paid in respect of the 18 months to March 2000 the final dividend of 9.1p per share paid in respect of the transitional six-month period to March 2000 with the effect that the dividend of 17.8p per share for the year to March 2000 shown above is presented on an annualised basis.

# Ten-year review financial years to 31 March

| | UK GAAP[2] | | | | | IFRS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employment of capital** | 2000 £m | 2001 £m | 2002 £m | 2003 £m | 2004[1] £m | 2005[3,4,6] £m | 2006[4,6] £m | 2007[4] £m | 2008[4] £m | **2009[4] £m** |
| Goodwill, intangible assets and property, plant and equipment | 1 854 | 1 860 | 1 699 | 1 565 | 1 414 | 1 461 | 1 480 | 1 449 | 1 516 | **1 922** |
| Other non-current assets | – | – | – | – | – | 3 | 21 | 25 | 22 | **19** |
| Working capital | 211 | 307 | 114 | 94 | 107 | 37 | 356 | 445 | 576 | **394** |
| Net assets held for sale | | | | | | | – | 61 | – | **28** |
| Net operating assets | 2 065 | 2 167 | 1 813 | 1 659 | 1 521 | 1 501 | 1 857 | 1 980 | 2 114 | **2 363** |
| Net borrowings | (805) | (963) | (639) | (471) | (388) | (474) | (866) | (900) | (1 041) | **(1 231)** |
| Net assets/(liabilities) for dividends and tax | 4 | (142) | (93) | (144) | (155) | (44) | (51) | (85) | (123) | **(119)** |
| Total net assets | 1 264 | 1 062 | 1 081 | 1 044 | 978 | 983 | 940 | 995 | 950 | **1 013** |
| **Capital employed** | | | | | | | | | | |
| Called up share capital | 117 | 123 | 123 | 123 | 123 | 124 | 122 | 122 | 114 | **115** |
| Reserves | 984 | 885 | 920 | 889 | 828 | 827 | 783 | 838 | 820 | **872** |
| | 1 101 | 1 008 | 1 043 | 1 012 | 951 | 951 | 905 | 960 | 934 | **987** |
| Minority interests | 163 | 54 | 38 | 32 | 27 | 32 | 35 | 35 | 16 | **26** |
| | 1 264 | 1 062 | 1 081 | 1 044 | 978 | 983 | 940 | 995 | 950 | **1 013** |
| **Profit summary[5]** | | | | | | | | | | |
| Sales | 4 090 | 4 146 | 3 944 | 3 167 | 3 167 | 3 339 | 3 465 | 3 225 | 2 867 | **3 553** |
| Group operating profit: | | | | | | | | | | |
| Before exceptional items and amortisation | 237 | 156 | 180 | 219 | 214 | 278 | 300 | 311 | 295 | **298** |
| Amortisation | – | (5) | (8) | (8) | (8) | (4) | (5) | (9) | (12) | **(15)** |
| Operating exceptional items | – | – | – | (39) | – | (45) | (248) | (13) | (59) | **(119)** |
| Group operating profit | 237 | 151 | 172 | 172 | 206 | 229 | 47 | 289 | 224 | **164** |
| Share of profits of joint ventures and associates | 47 | 29 | 36 | 35 | 43 | – | – | – | – | **–** |
| Total operating profit | 284 | 180 | 208 | 207 | 249 | 229 | 47 | 289 | 224 | **164** |
| Non-operating exceptional items: | | | | | | | | | | |
| Write-downs on planned sale of business | (50) | (307) | – | (12) | – | – | – | – | – | **–** |
| Profit/(loss) on sale or termination of businesses | 25 | 9 | (5) | 19 | (6) | – | – | – | – | **–** |
| Profit/(loss) on sale of fixed assets | 7 | – | 13 | (1) | – | – | – | – | – | **–** |
| Profit/(loss) before net finance expense | 266 | (118) | 216 | 213 | 243 | 229 | 47 | 289 | 224 | **164** |
| Net finance expense | (65) | (67) | (55) | (29) | (23) | (24) | (33) | (36) | (42) | **(51)** |
| Net finance (expense)/income of joint ventures and associates | (10) | (5) | (2) | 3 | 4 | – | – | – | – | **–** |
| Profit/(loss) before tax | 191 | (190) | 159 | 187 | 224 | 205 | 14 | 253 | 182 | **113** |
| Income tax expense | (63) | (40) | (39) | (57) | (69) | (55) | (60) | (88) | (76) | **(19)** |
| Profit/(loss) after tax | 128 | (230) | 120 | 130 | 155 | 150 | (46) | 165 | 106 | **94** |
| Minority interests | (17) | (6) | (2) | 2 | (1) | (4) | (3) | (3) | 7 | **(5)** |
| Discontinued operations | – | – | – | – | – | – | 19 | 52 | 81 | **(24)** |
| Profit/(loss) for the year | 111 | (236) | 118 | 132 | 154 | 146 | (30) | 214 | 194 | **65** |
| Profit before tax, exceptional items and amortisation | 209 | 113 | 159 | 228 | 227 | 254 | 267 | 275 | 253 | **247** |

1. Comparative figures for 2004 have been restated to reflect the adoption of UITF38 Accounting for ESOP Trusts.
2. Comparative figures for 1999 to 2004 have not been restated to reflect the adoption of IFRS from 1 April 2004.
3. Comparative figures for 2005 have not been restated to reflect the adoption of IAS32/39 from 1 April 2005.
4. 'Amortisation' relates to the amortisation of acquired intangible assets.
5. Profit summary information for the years ended 31 March 2008 and 31 March 2009 is presented in accordance with the presentation adopted in the 2009 Group financial statements and unless otherwise stated represents continuing operations only. Profit summary information for the years 31 March 2007 and 31 March 2006 is presented in accordance with the presentation adopted in the Group Financial Statements for 2008 and 2007 respectively and unless otherwise stated represents continuing operations as defined in those statements.
6. The comparative figures for 2005 and 2006 have been restated to reflect the adoption of IFRIC4.

# Information for investors

## Addresses and telephone numbers

Useful addresses and telephone numbers are set out on page 167.

## Dividends on ordinary shares

Two payments were made during the tax year 2008/2009 as follows:

| Payment date | Dividend description | Dividend per share |
|---|---|---|
| 31 July 2008 | Final 2008 | 16.1p |
| 9 January 2009 | Interim 2009 | 6.8p |

## Services

### Individual Savings Account (ISA)

Tate & Lyle's ordinary shares can be held in an ISA. For information, please call the Equiniti ISA Helpline on 0871 384 2244.

### Shareholding enquiries

Queries on shareholdings should be addressed to Tate & Lyle's Registrar, Equiniti (see page 167 for contact details).

### Tate & Lyle's website (www.tateandlyle.com) and share price information

Tate & Lyle's website provides direct links to other Group company sites and to sites providing financial and other information relevant to the Company. The share price is available on the website with a 20-minute delay. Similar information is available on many specialist websites, on Teletext and in several national newspapers.

### Capital gains tax

The market values on 31 March 1982 for the purposes of indexation up to April 1998 in relation to capital gains tax of Tate & Lyle PLC shares then in issue were:

| | |
|---|---|
| Ordinary shares of £1 each | 201.00p |
| Equivalent value per ordinary share of 25p | 50.25p |
| 6½% cumulative preference shares | 43.50p |

### Tate & Lyle American Depositary Shares (ADSs)

The Company's shares trade in the United States on the NASDAQ over the counter (OTC) market in the form of ADSs and these are evidenced by American Depositary Receipts (ADRs). The shares are traded under the symbol TATYY. Each ADS is equivalent to four ordinary shares. For more information, contact the Bank of New York Mellon at the address given on page 167.

On 10 April 2007, Tate & Lyle was approved for the International PremierQX tier of International OTCQX. This provides a gateway to US securities markets for international companies that are listed on a qualified international exchange. Tate & Lyle's ADR is identified with an International PremierQX logo and investors can find current financial information and other disclosure on www.otcqx.com and www.pinksheets.com

### Financial calendar (dates are provisional except those marked with an asterisk)

| | |
|---|---|
| 2009 Annual General Meeting | 23 July 2009* |
| Announcement of interim results for six months to 30 September 2009 | 5 November 2009 |
| Announcement of preliminary results for the year ending 31 March 2010 | 27 May 2010 |
| 2010 Annual General Meeting | 22 July 2010 |

| Dividend on ordinary shares | 2009 final | 2010 interim | 2010 final |
|---|---|---|---|
| Announced | 28 May 2009* | 5 November 2009 | 27 May 2010 |
| Payment date | 31 July 2009[1] | 8 January 2010 | 30 July 2010[1] |

1. Subject to the approval of shareholders

### Dividends on 6½% cumulative preference shares

Paid 31 March and 30 September.

### Shareholder documents

Following a change to company law, and subsequent shareholder approval at the 2007 AGM, shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and its impact on the environment.

Shareholders who have not elected to receive paper copies are sent a notification whenever shareholder documents are published, to advise them how to access the documents via the Tate & Lyle website, www.tateandlyle.com. Shareholders may also choose to receive this notification via email with a link to the relevant page on the website. Shareholders who wish to receive email notification should register online at www.shareview.co.uk, using their reference number that is either on their share certificate or other correspondence.

# Useful addresses and telephone numbers

**Registered office**
Tate & Lyle PLC
Sugar Quay
Lower Thames Street
London EC3R 6DQ
Tel: +44 (0)20 7626 6525
Fax: +44 (0)20 7623 5213
Company number: 76535

www.tateandlyle.com

**Registrar**
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel: 0871 384 2063 (for UK calls)
+44 (0)121 415 7047 (for calls from overseas)
www.equiniti.com
www.shareview.co.uk
Calls to 0871 numbers are charged at 8 pence per minute from a BT landline. Other telephone providers' costs may vary.

**ADR depositary**
The Bank of New York Mellon
Shareowner Services
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**Non-reliance statement**
This annual report and accounts has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential of that strategy to succeed and should not be relied upon by any other party or for any other purpose.

**Cautionary statement**
This annual report and accounts contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Tate & Lyle PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this annual report and accounts should be construed as a profit forecast.

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