

Operating and Financial Review

Summary of Financial Results

Total sales of £3,167 million (\$5,352 million) were in line with last year. Exchange rate translation and discontinued businesses reduced sales by £172 million (\$291 million).

Profit before interest, tax, exceptional items and goodwill amortisation reduced by 1% from £254 million (\$429 million) to £251 million (\$424 million), due mainly to the exchange impact of the weaker US dollar. Profit before interest and tax after net exceptional items of £nil million (2003 – charge of £33 million, \$56 million) and the goodwill amortisation charge of £8 million (\$14 million) (2003 – £8 million, \$14 million) was £243 million (\$411 million), compared with £213 million (\$360 million) in the year to March, 31 2003.

Interest costs, before exceptional credits of £5 million (\$8 million) (2003 – £nil), reduced from £26 million (\$44 million) to £24 million (\$41 million). Interest cover improved from 7.6 times to 9.3 times.

Profit before tax, exceptional items and goodwill amortisation was £227 million (\$384 million), £1 million (\$1 million) below prior year profit of £228 million (\$385 million), which included £11 million (\$19 million) of unusual income, (£3 million, \$5 million, operating profit and £8 million, \$14 million, interest income). Profit before tax, exceptional items and goodwill amortisation at constant exchange rates increased by 2.2%, after adjusting for the £6 million (\$10 million) adverse impact of exchange translation. Profit before tax, after exceptional items and goodwill amortisation, was £224 million (\$379 million) compared with £187 million (\$316 million) in the year to March 31, 2003.

Diluted earnings per share before exceptional items and goodwill amortisation for the year to March, 31 2004 were 33.9p (57.3 cents) (2003 – 33.0p, 55.8 cents). Diluted earnings per share after exceptional items and goodwill amortisation were 32.6p (55.1 cents) (2003 – 27.7p, 46.8 cents).

The Board is recommending a 0.4p (0.7 cents) per share increase in the final dividend to bring the total dividend for the year to 18.8p (31.8 cents) per share. The proposed dividend is covered 1.8 times by earnings before exceptional items and goodwill amortisation, in line with the previous year. Earnings after exceptional items and goodwill amortisation covered the dividend 1.7 times (2003 – 1.5 times).

Net debt reduced by £83 million (\$140 million) from £471 million (\$796 million) to £388 million (\$656 million), with £49 million (\$83 million) of this reduction being due to exchange translation.

Exceptional Items and Goodwill Amortisation

Exceptional items totalled a net credit of £5 million (\$8 million). £11 million (\$19 million) of this credit relates to a refund of duty, of which £5 million (\$8 million) is included within interest. A number of items offset each other in respect of the US sugar companies, Domino Sugar and Western Sugar, which were sold in prior years. Relating to Domino, we received a final earn-out under the deferred consideration agreement and early repayment of the loan note which was in excess of book value. These items were offset by movements on provisions and payments for claims under clauses in the sale agreement. We also received a scheduled repayment of principal relating to the Western loan note.

We recorded a £3 million (\$5 million) charge in respect of the closure of the Mexican citric acid business. The anticipated closure of a small molasses business resulted in a provision for loss on termination. This item, together with the loss on disposal of other businesses, resulted in a charge of £3 million (\$5 million).

Amortisation of capitalised goodwill totalled £8 million (\$14 million) in the year (2003 – £8 million, \$14 million).

Segmental Analysis of Profit before Interest

The following paragraphs refer to profit before interest, tax and exceptional items but after the amortisation of capitalised goodwill. Exchange rate translation reduced Group profit before interest by £7 million.

Sweeteners & Starches – Americas: continuing activities

Profit before exceptional items and interest fell by £8 million to £127 million. Exchange rate translation reduced profits by £9 million.

Staley

Staley's cereal sweetener and starch business continued to provide good growth against a backdrop of challenging market conditions. The contribution from all major product lines was in line with or above the prior year. Growth was, once again, led by sales of higher value added food ingredients. Significantly higher corn prices were more than offset by improved by-product sales and an overall increase in selling prices.

Food ingredients benefited from recent market trends and from our increasing focus on providing product development solutions to our customers. Industrial products generated strong results despite the US paper market declining by almost 2%. Sales of industrial starches in the speciality markets increased in the year. Results for food ingredients and industrial products were also enhanced by further development of global export sales initiatives with Amylum.

The US sweetener market continues to reflect increased consumption of bottled water, as well as diet soft drinks, at the expense of nutritively-sweetened carbonated beverages. Improved pricing enabled sweetener gross margins to remain steady. The contribution from ethanol was higher as a result of increased selling prices, which reflected higher gasoline prices. Demand for ethanol continues to increase due to the banning of methyl tertiary butyl ether (MTBE) in several states.

Manufacturing operations achieved improved production throughput, but cost efficiencies were hindered by increased natural gas prices and higher maintenance expense. The impact of higher energy prices continued to be mitigated through our Group-wide conservation programme.

Our bio-gum semi-works facility remains on schedule for commissioning in July 2004. A new agglomerated dextrose plant was commissioned in Decatur, Illinois, during March 2004. The DuPont Tate & Lyle BioProducts LLP joint venture has been formed to produce Bio-3G from renewable sources, such as corn, from a new plant due to be commissioned in the first half of calendar year 2006.

At Almex, our joint venture in Mexico, high fructose corn syrup (HFCS) volumes fell compared to 2003, as the tax on beverages containing HFCS remains in place. Profits were

below the prior year. Manufacturing efficiencies were realised, more than offsetting higher natural gas prices. Access into Mexico for US HFCS under the North American Free Trade Agreement remains unresolved between the Mexican and US governments.

The global citric acid market achieved a better supply-demand balance during the year. Increased market demand, and industry rationalisation by ourselves and competitors during fiscal 2004, coupled with significantly higher raw material prices in China, combined to reverse the historic decline in citric acid selling prices. This progress, along with continued cost reduction improvements, produced results for the citric acid businesses above both the prior year and internal expectations. We expect further progress in profit to be made in the year to March 31, 2005.

Our joint venture facility to produce Aquasta™, a natural source of astaxanthin which acts as a nutrient and pigment for farm-raised fish, is being commissioned. Market acceptance of Aquasta™ has been excellent with contracted volumes exceeding expectations.

North American Sugar

Redpath, in Canada, performed in line with our expectations, albeit significantly below the exceptional level of last year. Higher world freight rates and increased energy prices reduced profits, although these impacts were partially mitigated by higher sales volumes. The reduction in the world price of raw sugar resulted in a stockholding loss of £2 million compared with a £2 million gain in the previous year. In August 2003, the Toronto refinery moved to continuous operation, resulting in a significant increase in annual capacity.

Our blending and packaging operation in Niagara performed strongly, with selling prices and volumes up compared to last year.

Occidente, our joint venture cane sugar business in Mexico, enjoyed a year of record production from the campaign that ended in June 2003, as technical performance of all three mills continued to improve. The tax on beverages containing HFCS helped to drive average selling prices significantly above last year, although volumes were marginally lower. The prospects for the coming year remain good.

Sweeteners & Starches – Europe

Profit before exceptional items and interest increased by 4%, from £107 million to £111 million. Exchange rate translation increased profits by £4 million.

Amylum

Amylum, our European cereal sweetener and starch business, reported lower profits chiefly due, in the latter part of the year, to higher raw material costs and processing costs caused by the high protein content of the wheat. The dry growing season and exceptionally hot summer in Europe reduced European Union (EU) wheat production by 13% and EU maize production by 26%. Cereal prices increased sharply in the summer and again later in the year when anticipated demand from China put further pressure on world stock levels.

The wheat crop also had an exceptionally high protein content. This is extracted and sold as the most valuable by-product in the form of vital wheat gluten, and the revenue from by-products has an important impact on the net raw material cost. Vital wheat gluten is used primarily as a protein supplement by bakers. Prices for protein supplements trended lower in the second half of the year with demand from EU bakers reduced because of the higher protein content in their flour. Export volumes to the US benefited from higher demand

because of dietary trends, although export selling prices were reduced by the weak US dollar.

Despite significant selling price increases, Amylum was unable to absorb the additional raw material cost in full during the 2004 annual calendar pricing round. Raw material prices have reduced from their peak, but until the outcome of current harvests is known, there remains uncertainty over cereal pricing for the second half of the year to March 31, 2005. We continue to expect lower gross margins in 2005. Sweetener volumes improved and overall starch volumes were flat, although there was good growth in the value added range. Export sales were under pressure from the strong euro in many markets.

Orsan France, the monosodium glutamate (MSG) producer that was sold on July 31, 2003, made a loss of £1 million on sales of £13 million in the period up to disposal. Capital expenditure of £3 million was required to separate the starch factory from the MSG operations which had previously been integrated.

The Eaststarch joint ventures in Central and Eastern Europe contributed less profit than the prior year. Sales prices and volumes were broadly in line with the comparative period, although all businesses suffered higher raw material prices because of the lower maize harvest in Europe. The weaker US dollar reduced the value of exports and encouraged imports. Slovakia and Hungary, where two of the businesses are located, joined the EU in the first wave of accession in May 2004. A capital project to produce higher-margin maltodextrins in Slovakia was successfully commissioned. The alcohol joint venture in France benefited from a major increase in capacity, although it also suffered from new crop higher raw material costs.

Benefits from the integration programme at Amylum and other Group operations achieved the target of £50 million annual savings at the end of the three-year project. The £30 million cost of achieving these savings compared with the original target for total costs not to exceed £50 million.

Tate & Lyle European Cane Sugar

The UK and Portuguese sugar businesses generated profits slightly above the prior year. The UK operations benefited from the impact of the stronger euro. Lower direct labour costs in the year were partially offset by an increase in expense for the main UK pension scheme following an actuarial valuation at March 31, 2003. IT costs were lower than the prior year which included costs associated with the termination of an outsourcing contract.

Capital expenditure was below depreciation with the businesses contributing strong cash flow to the Group.

Lyle's Golden Syrup celebrates its 100th year in 2004, and an increasing focus on franchising and export opportunities led to our highest ever syrup sales during the year.

Proposals to replace the current EU sugar regime in 2006 are no nearer clarification.

Eastern Sugar

The Eastern Sugar Group, our European beet sugar joint venture, operates in Hungary, Slovakia and the Czech Republic, which all acceded to the EU on May 1, 2004. While the Group reported operating losses in the year, the losses were significantly below the prior year.

The Czech Republic business continued to sustain operating losses throughout the year. The Czech constitutional court ruled in November 2002 that the sugar market regulation was not valid and this led to a price war and a collapse in domestic selling prices. Despite the government introducing a new regulation during 2003, stability was not re-established during the year. The profitability of this business is expected to be restored once the domestic market aligns with the EU sugar regime.

The Slovakian business generated higher profits than last year due to firm pricing during 2004. Profits in Hungary were lower due to the impact of increased imports on the domestic selling price.

Sweeteners & Starches – Rest of the World

Profit before exceptional items and interest decreased by £3 million to £8 million. Exchange rate translation reduced profits by £1 million.

The profits from sugar trading were somewhat below the exceptionally strong profits recognised in 2003. Lower margins in Brazil returned profits to more normal levels. Profits on sales from Thailand were higher as a result of a shortage of Thai raw sugar which increased margins.

Asian Sugar Businesses

Nghe An Tate & Lyle, the Group's cane sugar business in Vietnam, confirmed its position as the country's number one sugar producer with a record output of 140,000 tonnes in fiscal 2004. This is 46% above the previous year's record and represents 11% of total Vietnamese sugar production.

A domestic sugar surplus in the previous season depressed sales prices until the end of calendar year 2003 but the market regained equilibrium in early 2004. Consequently, sugar prices have increased and prospects for the coming year remain healthy.

Animal Feed and Bulk Storage: continuing activities

Profits before exceptional items and interest on continuing activities increased by £2 million to £6 million. Exchange translation reduced profit by £1 million.

Strong demand in European animal feeds markets, coupled with operational improvements in the supply chain, led to higher margins in this segment. A focus on international industrial markets also saw volumes increase during the year. Higher EU tariffs and increased world freight rates depressed profits within the molasses trading business.

Other Businesses and Activities

Net costs in this segment, which includes head office activities, reduced by £1 million. Exchange translation had no impact on profits.

Tate & Lyle Sucralose

The worldwide growth in sales of sucralose, the no calorie sweetener made from sugar, continued in the year. More than 3,500 products are now sweetened with sucralose and growth prospects remain strong.

Following the completion of an amendment to the Sweeteners Directive, sucralose is now approved for use throughout the EU. Member countries are currently in the process of amending their national legislation to harmonize with the Directive and this will be completed by January 2005.

Under the Global Alliance Agreement with McNeil Nutritionals (a division of McNeil-PPC, Inc., a Johnson & Johnson company), in place throughout the year, a £9 million (US\$15 million) license fee was recognized in 2004, compared with £6 million (US\$10 million) in the comparative period. The 2004 fee included the last tranche of £3 million (US\$5 million) originally expected to be recognized in fiscal 2005.

Following the strategic realignment of its agreements with McNeil Nutritionals, completed in April 2004, Tate & Lyle is now responsible for the worldwide ingredient sales of SPLENDA[®] Sucralose* to food and beverage manufacturers. McNeil Nutritionals continues to market SPLENDA[®] No Calorie Sweetener to consumers. At its sucralose manufacturing plant in Alabama, USA, Tate & Lyle is the sole manufacturer of sucralose globally and is the exclusive supplier of sucralose to McNeil Nutritionals.

Tate & Lyle Sucralose is now well positioned to maximize the global growth of the sucralose ingredient business. The integration of this business is proceeding as planned.

** SPLENDA[®] is a trademark of McNeil-PPC, Inc.*

Tate & Lyle Reinsurance

The Group's Bermuda-based captive reinsurance company built on the return to profitability in 2003 with a small increase in underwriting profits. The profit for the year under review derived primarily from the retention of risks attributable to Group businesses. The company continues the process of running-off existing third party liabilities, of which approximately half have now been commuted or settled. A small underwriting profit was reported in the year from these third party activities.

The Group continues to believe it can minimize the effect of higher insurance costs as well as provide price and coverage stability to Group businesses by retaining risk and premium in its own reinsurance company.

Discontinued Activities

There were no activities classified as discontinued during the year. In the comparative period, Western Sugar contributed a profit of £1 million prior to its disposal in April 2002, while the US and Canadian molasses and third party liquid storage businesses made a loss of £2 million prior to their disposal in March 2003.

Interest, Tax and Dividend

Interest

The net Group interest charge before exceptional items was £24 million compared with £26 million in the year to March 31, 2003. Interest income included £6 million from the loan notes issued to the purchasers of Domino and Western.

The average net debt of Tate & Lyle PLC and its subsidiaries was £451 million, a reduction of £79 million on £530 million in the previous year. The interest rate for subsidiaries in the year when measured against average net debt was 5.1% (2003 – 5.5%). Interest cover

based on profit before interest, tax, exceptional items and goodwill amortisation of Tate & Lyle PLC and its subsidiaries improved from 7.6 times to 9.3 times.

Profit before Tax

Profit before tax but after exceptional items and goodwill amortisation was £224 million, compared with £187 million in the prior year. Exchange rate movements reduced profit before tax by £6 million.

Taxation

The Group taxation charge was £69 million (2003 – £57 million). The effective rate of tax, on profit before exceptional items and goodwill amortisation, was 29.0% (2003 – 30.7%).

Dividend

A final dividend of 13.2p will be recommended as an ordinary dividend to be paid on August 4, 2004 to shareholders on the register on July 9, 2004. This represents an increase of 0.4p per share. An increased interim dividend of 5.6p (2003 – 5.5p) was paid on January 13, 2004. Earnings before exceptional items and goodwill amortisation covered the proposed total dividend 1.8 times.

Disposals

We received £63 million proceeds from the disposal of businesses and assets during the year to March 31, 2004, compared with £60 million in the previous year.

We completed the sale of Orsan France, the MSG business, at the end of July. Having recognised an anticipated loss on disposal of £12 million last year, there was no further adjustment in the year under review. The sale of Domino, the US cane sugar refiner, was completed in November 2001. Under the terms of an earn-out clause in the sale agreement, we received deferred proceeds. A payment was made in order to settle a claim from the buyer under the representations and warranties given by Group in the disposal agreement. These netted to proceeds of £39 million.

We also received an accelerated payment in full settlement of the Domino loan notes issued as part of the consideration and a scheduled repayment of loan note principal in the year from the purchasers of Western. These, together with proceeds from the disposal of minor investments, totalled £22 million.

Proceeds from the sale of other tangible fixed assets totalled £2 million.

Retirement Benefits

The charge for retirement benefits, calculated under SSAP24, was £30 million, an increase of £6 million over the prior year. The charge for the US schemes was £5 million higher than the previous year. The charge for the main UK scheme increased by £1 million following the actuarial valuation at March 31, 2003. This valuation identified a deficit of £13 million under SSAP24. We are funding this deficit and future costs of the scheme over five years. During the year, regular cash contributions of £8 million were supplemented by additional contributions of £9 million.

SSAP24 spreads pension surpluses and deficits over the service lives of employees. Under SSAP24 the net pension asset of £9 million at March 31, 2003 increased by £2 million to a net asset of £11 million, and the US healthcare provision reduced by £17 million to £101 million.

Under FRS17 the current service cost charged against profit each year is calculated using corporate bond yields, and any change in yields generates volatility in the pensions charge. The use of market values in the balance sheet is likely to give rise to volatile changes in the amounts reported as pension assets and liabilities.

If the accounts had been prepared under FRS17, the net position for all Group defined benefit pension schemes at March 31, 2004 would have been a deficit of £150 million. This is £46 million lower than the deficit of £196 million that would have been recorded under FRS17 at March 31, 2003, and an improvement of £44 million from the deficit of £194 million at September 30, 2003. The potential US healthcare liability would have reduced from £104 million at March 31, 2003 and £101 million at September 30, 2003 to £81 million at March 31, 2004.

After taking account of deferred tax, the Group's net assets at March 31, 2004 would have reduced by £98 million from £1,016 million under SSAP24 to £918 million if the financial statements had been prepared under FRS17.

Profit before interest would have increased by £10 million, compared with a £5 million increase in the previous year, and the net interest charge would have increased by £10 million, compared with a £4 million increase in the previous year.

The total charge to profit under FRS17 would have been £30 million, in line with the charge under SSAP24.

International Financial Reporting Standards

In line with EU regulations, the Group will adopt international financial reporting standards (IFRS) as the basis upon which it will report its financial statements in the year ending March 31, 2006.

The Group is currently executing a detailed implementation project designed to effect an orderly transition from UK accounting standards. This project involves: identifying and implementing changes to reporting processes and systems; reviewing accounting policies to ensure compliance with IFRS; and presenting financial information in a manner consistent with the detailed disclosure requirements of IFRS. This project is progressing satisfactorily.

Following the first phase of the implementation project, the most significant areas of difference between current UK GAAP and current international standards for the Group have been identified, as detailed below.

Financial Instruments

The international standards, IAS32 and IAS39, set out strict criteria for achieving hedge accounting in the area of financial instruments. Failure to achieve hedge accounting for a significant proportion of Group's foreign exchange, interest rate management and commodity hedging activities could lead to increased volatility of both earnings and net assets.

Business Combinations

On acquisitions completed after September 26, 1998, the Group has capitalised goodwill and is currently amortising this to the profit and loss account over its useful economic life. The new international standard, IFRS3, does not permit the amortisation of goodwill, but requires it to be tested annually for impairment.

Retirement Benefits

The Group currently accounts for retirement benefits in accordance with SSAP24, which requires that the expected cost of providing defined benefit pension and post retirement healthcare schemes be charged to the profit and loss account so as to accrue the cost over the service lives of employees on the basis of a constant percentage of earnings. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

The Group has adopted the transitional disclosure requirements of FRS17 "Retirement Benefits", which was introduced in November 2000 to replace SSAP24. FRS17 differs from SSAP24 principally with regard to the choice of assumptions and in that differences between the market value of assets and liabilities of the retirement benefit schemes are recognised immediately in the balance sheet, whereas they are recognised on a smoothed basis through the profit and loss account under SSAP24.

The current international retirement benefits standard, IAS19, requires past service cost and interest cost to be recognised in the profit and loss account on a similar basis to FRS17. However, actuarial gains and losses that are recognised immediately in the Statement of Total Recognised Gains and Losses (STRGL) under FRS17 are instead recognised in the profit and loss account under IAS19, usually over the average remaining service lives of employees. The decision, announced by the IASB in December 2003, to allow companies the option of immediately recognizing actuarial gains and losses through annual adjustments to equity will align accounting treatment more closely to the requirements of FRS17. The impact of accounting for the Group's retirement benefit schemes in accordance with FRS17 is set out in the notes to the financial statements contained in the Annual Report.

Adoption of IAS19 is expected to impact both the profile of expense recognised in the profit and loss account in respect of retirement benefits, and reported net assets in the Group balance sheet.

Deferred Tax

The international standard relating to deferred tax, IAS12, uses a fundamentally different basis for calculating deferred tax. IAS12 also prohibits discounting of deferred tax, currently performed by the Group as permitted by FRS19. This is expected to impact both the profile of taxation expense recognised in the profit and loss account, and reported net assets of the Group.

Share-based Payments

The international standard, IFRS2, requires companies to measure the fair value of share-based compensation schemes and expense over the life of the scheme. This is expected to reduce reported earnings.

Intangible Assets

IAS38 requires the capitalisation of certain expenditure relating to development costs, which the Group currently expenses as incurred. This is expected to lead to an increase in equity on initial adoption due to an increase in capitalised costs. On an on-going basis, impact on earnings is expected to be modest.

Cash Flow and Balance Sheet

Cash Flow and Debt

Operating cash flow totalled £289 million compared with £323 million in the previous year. There was an operating working capital outflow of £31 million (2003 – £6 million outflow). Contributions to the Group's pension funds, both regular and supplementary, reduced from £61 million in the previous year to £34 million. A net £115 million (2003 – £97 million) was paid to providers of finance as dividends and interest. Net taxation paid increased from £7 million, which included a number of refunds, to £74 million, reflecting higher payments in the UK and North America.

Plant replacement, improvement and expansion expenditure of £118 million was above depreciation of £106 million. Investment expenditure was £26 million, being primarily an investment of £15 million in the astaxanthin joint venture and an injection of funds into the Tate & Lyle Employee Benefit Trust which purchases shares to satisfy options granted under the Executive Share Option Scheme. Disposals of fixed assets and businesses generated cash of £63 million. Exchange translation, and other non-cash movements, reduced net debt by £64 million.

The Group's net borrowings fell from £471 million to £388 million.

The ratio of net borrowings to earnings before exceptional items and before interest, tax, depreciation and goodwill amortization (EBITDA) improved from 1.4 times to 1.2 times and the gearing ratio reduced to 38% at March 31, 2004 (2003 – 45%). During the year net debt peaked at £498 million in April 2003 (April 2002 during the year ended March 31, 2003 – £605 million).

Funding and Liquidity Management

The Group funds its operations through a mixture of retained earnings and borrowing facilities, including capital markets and bank borrowings.

In order to ensure maximum flexibility in meeting changing business needs the Group seeks to maintain access to a wide range of funding sources. Capital markets borrowings include the €300 million 5.75% bond maturing in 2006, the €150 million Floating Rate Note maturing in 2007 and the £200 million 6.5% bond maturing in 2012. At March 31, 2004 the Group's long term credit ratings from Moody's and Standard and Poor's were Baa2 and BBB respectively.

The Group ensures that it has sufficient undrawn committed bank facilities to provide liquidity back-up for its US commercial paper and other short term money market borrowing for the foreseeable future. The Group has committed bank facilities of US\$510 million which mature in 2008 with a core of highly rated banks. These facilities are unsecured and contain common financial covenants for Tate & Lyle PLC and its subsidiary companies that the interest cover ratio should not be less than 2.5 times and the ratio of net debt to EBITDA should not be greater than four times. 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 covenanted restrictions at all times.

The majority of the Group's borrowings are raised through the Group treasury company and are then on-lent to the business units on an arms-length basis.

The Group manages its exposure to liquidity risk by ensuring a diversity of funding sources and debt maturities. Group policy is to ensure that, after subtracting the total of undrawn committed facilities, no more than 30% of gross debt matures within 12 months and at least 50% has a maturity of more than two and a half years. At the end of the year, after subtracting total undrawn committed facilities, there was no debt maturing within 12 months and all debt had a maturity of two and a half years or more (2003 – 0% and 100%). The average maturity of the Group's gross debt was 4.9 years (2003 – 5.4 years).

At the year-end the Group held cash and current asset investments of £154 million (2003 – £172 million) and had undrawn committed facilities of £277 million (2003 – £348 million). These resources are maintained to provide liquidity back-up and to meet the projected maximum cash outflow from debt repayment and seasonal working capital needs foreseen for at least a year into the future at any one time.

Funding not Treated as Debt

In respect of all financing transactions, the Group seeks to optimise its financing costs. The following items are not included in net debt under UK accounting conventions.

At Amylum, the Group receives cash from selling amounts receivable from customers. The facility allows the sale of up to US\$85 million (£46 million) of receivables, and was fully utilised at both March 31, 2004 and March 31, 2003. Where financially beneficial, operating leases are undertaken in preference to purchasing assets. Commitments under operating leases to pay rentals in future years totalled £180 million (2003 – £209 million) and related primarily to railcar leases in the USA.

Net debt of joint ventures and associates totalling £66 million at March 31, 2004 (2003 – £60 million) is not consolidated in the Group balance sheet. After counter indemnities, £22 million of this debt was subject to recourse to the Group. Tate & Lyle's share of net debt of joint ventures and associates totalled £32 million.

Contingent Liabilities

The US class action claim against Staley and others concerning alleged price fixing between 1988 and 1995 referred to in the notes to last year's accounts has now been set down for trial in September 2004. Staley remains convinced that it was not involved in the alleged wrong-doing, but continues to seek a negotiated resolution of the claim so as to avoid facing the cost and uncertainty of a US jury trial. The full contingent liabilities note to be included in this year's Annual Report is reproduced as Note 9 in this announcement.

Post Balance Sheet Event

In April 2004, the Group completed the realignment of its sucralose activities with McNeil Nutritionals (a division of McNeil-PPC, Inc., a Johnson & Johnson company), achieved through the separation of that business into its constituent Ingredient and Tabletop parts. The Group acquired the sucralose ingredients business and manufacturing assets from McNeil Nutritionals for a total cash cost (including capitalised expenses) of US\$137 million (£74 million), subject to working capital adjustments. The net book value of the assets acquired by Tate & Lyle at December 28, 2003 was US\$181 million (£95 million) and the unaudited pro-forma profit before tax generated by those assets in the year ended on that date was US\$33 million (£17 million). Significant one-off costs to integrate the ingredients business are expected in the first year of operation.

Simon Gifford
Group Finance Director