

ZETAR  
PLC

2009  
interim report



Food with attitude

# CORPORATE STATEMENT

**Zetar's strategy is to develop and grow a niche snack foods and confectionery Group, with a reputation for quality and product innovation. We will seek to extend our operations to Europe over time.**

We aim to deliver strong organic growth and value to our shareholders through:

- Product innovation
- Flexible manufacturing processes
- Developing strong relationships with all UK food retailers
- Maximising cost synergy opportunities across our business

We will also grow acquisitively if suitable opportunities arise.

## CONFECTIONERY



Manufacture of everyday and seasonal chocolates including chocolate bars, coated and boxed chocolates, advent calendars, Easter eggs and allergy-free chocolate. In addition to private label and sub-contract manufacture, we are the UK's leader in character licensed chocolates.

## NATURAL & PREMIUM SNACKS



Process and manufacture of a full range of dried fruit and fruit snacks, raw and cooked nuts, mixes and related snacks, under both private label, sub-contract manufacture and brands.

### H1 2009 REVENUE

**£33.1m**

58% of Group total

### H1 2009 REVENUE

**£24.0m**

42% of Group total

# HIGHLIGHTS

## “A period of effective recovery with strong organic growth”

### Financial (continuing activities)

- **Revenue up 7% to £57.1m** (2008: £53.6m).
- **EBITDA\* up 18% to £3.9m** (2008: £3.3m).
- **Adjusted operating profit \*\* up 29% to £2.7m** (2008: £2.1m).
- **Adjusted diluted earnings per share up 37% to 12.7p** (2008: 9.3p).
- **Reduced net borrowings at 31 October 2009 of £27.0m** (2008: £30.5m).
- **Revenue for the eight months ended 31 December 2009 up 10% to £80.0m** (2008: £73.0m).

### Operational

- **Stronger balance sheet** and continued progress in reducing borrowings.
- **Business recovery** remains on track.
- **Revenue growth** fuelled by continued innovation and manufacturing flexibility:
  - economy products in both divisions;
  - launch of “all year round” impulse confectionery range; and
  - healthier fruit snacks and brand flavoured nuts.
- **Board strengthened** by appointments of Group Finance Director and additional Non-executive Director.
- **Proportionately more Christmas sales** have been realised post the period end.
- **Confident of delivering strong growth** for the full year in line with market expectations.

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\*EBITDA is stated before share-based payment costs.

\*\*Adjusted operating profit is stated before amortisation of intangible assets, share-based payment costs and the change in market value of derivatives.

# OPERATIONAL REVIEW

## OVERVIEW

The interim results of Zetar Plc ("Zetar" or the "Group") are for the six months ended 31 October 2009.

The Group has delivered strong organic growth in the first half of the year with revenues and adjusted operating profits up 7% and 29% respectively, despite some Christmas deliveries being deferred into the second half of the year.

The Confectionery division's results were adversely affected by margin pressures at Lir (our Irish subsidiary) due to the weakness of Sterling and some start up costs at the York factory related to a significant uplift in production volumes. These costs were partially offset by a £0.6m reduction in administration overheads in the period resulting from a reorganisation of Zetar's head office and of the Confectionery division at the end of last year following the sale of the Baked Snacks operation and the closure of Woolworths.

Actions taken last year have strengthened the Group's financial position and provided an ability to exploit identified market opportunities. In February 2009 we raised £2.0m from shareholders at 120p per share to allow us to target additional turnover in the current year. We are on track to exceed the £3.0m of additional turnover we originally identified. The Group's continued focus on product innovation and its flexible manufacturing processes have combined to deliver positive results in a challenging marketplace characterised by high promotional activity and commodity price instability.

The Group has adapted well to the current economic climate by introducing value for money products, which appeal to customers and consumers alike in these promotionally driven markets. Nonetheless, innovation continues to be of paramount importance and the Group has significantly extended its confectionery range of "all year round" impulse products. The Natural & Premium Snacks division has made further progress in its aim of increasing the proportion of value added products, with the introduction of the first brand flavoured nuts and has also diversified its fruit snacking range.

The Group's financial position is also much stronger. Despite funding the working capital required to support a larger business, total borrowings were £3.5m lower than at the comparable date last year and amounts due to trade creditors were £3.0m lower.

## GROUP FINANCIAL RESULTS

Group sales from continuing operations in the six months ended 31 October 2009 were £57.1m (2008: £53.6m), an increase of 7%. Group adjusted operating profit from continuing operations (stated before amortisation of intangible assets and share-based payment charges) for the period was £2.7m (2008: £2.1m), an increase of 29%.

Total finance costs in the period amounted to £0.3m (2008: £1.2m). Included in this total are movements on foreign exchange and interest rate financial instruments which, in the period under review, resulted in a credit of £0.2m (2008: charge of £0.3m). Underlying net interest payable reduced to £0.5m (2008: £0.8m) as a result of lower borrowings and interest rates.

The tax charge for the period is based on the estimated effective tax rate on profits for the full year of 25% (2008: 27%), reflecting a weighted average tax rate of 27% on the profits of UK companies and 12.5% on the profits of Irish companies.

Adjusted diluted earnings per share for continuing operations for the period were 12.7p (2008: 9.3p), an increase of 37%.

The Group's working capital requirement peaked, as usual, just before the period end, but was £3.5m lower than last year at £27.0m (2008: £30.5m), despite a 7% increase in sales in the period and a reduction in amounts owed to trade creditors at 31 October 2009 of £3.0m. As in every year, this seasonal working capital movement is anticipated to reverse before the April 2010 year end. Capital expenditure in the period amounted to £1.3m (2008: £2.5m) and is estimated to be approximately £2.0m for the full year compared to £3.8m for the previous year.

The Group's revolving credit facilities, which fluctuate on a monthly basis in accordance with the seasonal working capital requirements of the Group, mature in December 2010. The Company's initial discussions with its bankers have been positive and the Company expects to have new facilities in place by the time its full year results are announced.

## BUSINESS REVIEW

Results by division were as follows:

### CONFECTIONERY DIVISION

SIX MONTHS ENDED 31 OCTOBER

#### SALES

**£33.1m**

(2008: £31.1m) increase of 6%

#### ADJUSTED OPERATING PROFIT

**£1.4m**

(2008: £1.4m) decrease of 4%

#### MARGIN

**4.1%**

(2008: 4.6%)

In the six months ended 31 October 2009, sales increased by 6%, despite a deferral of certain added value seasonal sales from the first to the second half of the year as retailers took delivery of some Christmas product later than in previous years. However, adjusted operating profit was 4% lower, impacted by larger than anticipated start up costs for our new line at York and the continued weakness of Sterling against the Euro, which affected the profitability of our Irish operation.

The new production line installed to manufacture sugar coated chocolate products at our York factory had to accommodate tripled production volumes in a very short time frame as new contracts were considerably larger than originally indicated. This adversely affected its operational performance resulting in additional start up costs of approximately £0.2m. The management infrastructure at York has been reinforced to deal with new factory pressures resulting from this significant increase in turnover and the factory is expected to deliver an improved result in the second half.

Whilst Lir achieved strong volume sales growth to UK customers of both Baileys and private label chocolates, including fair trade ranges, the continued weakness of Sterling against the Euro reduced the value of Lir's UK sales and operating profits by approximately £0.25m against the comparable period.

Excluding the influence of these two factors, the operating margin of the division would have improved, despite the promotional pricing pressure exerted by the market, due to a reduction in the division's indirect overheads.

The product development undertaken during the 2009 financial year enabled the division to successfully launch a wide range of retailer brand economy chocolates and all year round impulse products including indulgence bars, twist wrap truffles and both sugar and chocolate coated chocolate products during the period. Christmas deliveries of advent calendars and other novelty chocolate gift sets have also increased from last year, assisted by new sales opportunities from erstwhile European suppliers that were identified at the time of last year's placing. Our range has been enhanced by the acquisition of good character licences which included Hello Kitty, High School Musical and Ben 10 alongside the ever popular Simpsons and Barbie. We also introduced a range of Top Gear products, including the chocolate coin "Stiggy Bank".

The division gained some significant new retail and third party business for chocolate, sugar coated chocolate, chocolate coated fruit and nuts for all year round and seasonal products manufactured at its York factory. Following last year's major investment in Lir (Irish factory) and subsequent renewed focus on product development, the luxury product range has been considerably extended resulting in strong volume sales growth to several UK supermarkets of both Baileys and private label chocolates.

# OPERATIONAL REVIEW CONTINUED

## BUSINESS REVIEW CONTINUED NATURAL & PREMIUM SNACKS DIVISION SIX MONTHS ENDED 31 OCTOBER

### SALES

**£23.9m**

(2008: £22.6m) increase of 6%

### ADJUSTED OPERATING PROFIT

**£1.4m**

(2008: £0.7m) increase of 98%

### MARGIN

**5.6%**

(2008: 3.0%)

The division delivered a promising performance for the six months ended 31 October 2009 as sales and operating profits increased by 6% and 98% respectively. The impact of price increases earlier in the year, following 2008's significant increase in raw material costs (exaggerated by the depreciation of Sterling), helped margins to recover from 3% to 5.6%.

Reduced consumer spending contributed to a decline in sales of our organic lines, particularly dried fruit, although the launch of a number of discount lines more than compensated for this. The Fruit Factory brand continues to establish itself with retail customers and consumers and the fruit snacking range was further extended with the addition of fruit hearts and stars to complement our fruit bars, fruit flakes and fruit strings. We were also pleased by the sales performance of Unilever's flavoured nut range, Marmite Cashews, which was launched at the start of the year.

The division has increased its investment in product development in line with its commitment to expand the added value snacking proportion of its business and we are looking forward to introducing a number of market "firsts" in the second half of the year.

We believe that this division is well placed to benefit from the shift towards healthier snacking and particularly a return to home-baking as families adapt to tightening financial circumstances.

## BOARD CHANGES

We recently announced the appointment of Mark Stott as Group Finance Director, with effect from 1 March 2010. Mark is a qualified chartered accountant with considerable experience in the Food and Beverage industry having previously worked as Group Finance Director of Noble Foods Limited (Europe's largest egg company) and in various senior finance roles with Dairy Crest PLC (a leading UK chilled dairy foods company).

In October 2009 we announced the appointment of Roger Matthews as an additional Non-executive Director. Roger has extensive food and general industry experience having previously held the posts of Group Finance Director of J. Sainsbury's PLC and Managing Director and Finance Director of Compass Group plc.

These appointments strengthen the Board and enable Ian Blackburn, the Chief Executive, to relinquish the duties of interim Finance Director and to focus on delivering the Group's organic growth and strategic development.

## OUTLOOK

The second half of the year has started well as the Christmas orders deferred into the second half (referred to above) were delivered. Sales for the eight months ended 31 December 2009 increased by 10% to £80.0m (2008: £73.0m).

The Christmas sell through of our products by retailers to consumers appears to have been robust, which in turn suggests a positive outlook on the part of our retail customers for Easter. Given this outlook, the Board remains confident of delivering strong growth for the full year in line with market expectations.

## IAN BLACKBURN CHIEF EXECUTIVE

# INDEPENDENT REVIEW REPORT TO ZETAR PLC

## TO THE MEMBERS OF ZETAR PLC

### INTRODUCTION

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 31 October 2009 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes In Equity, Consolidated Cash Flow Statement and the related notes 1 to 11. We have read the other information contained in the half-yearly financial report which comprises only the Corporate Statement, the Highlights and the Operational Review, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusion we have formed.

### DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in notes 2 and 3.

### OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 October 2009 is not prepared, in all material respects, in accordance with the basis of preparation described in notes 2 and 3.

**GRANT THORNTON UK LLP**  
**AUDITOR**  
**LONDON**  
**19 JANUARY 2010**

# CONSOLIDATED INCOME STATEMENT

## FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

		Unaudited six months ended 31 October 2009		
	Note	Adjusted results* £'000	Adjusting items £'000	Total £'000
<b>Continuing operations</b>				
<b>Revenue</b>	4	<b>57,090</b>	–	<b>57,090</b>
Cost of sales		(46,044)	–	(46,044)
<b>Gross profit</b>		<b>11,046</b>	–	<b>11,046</b>
Distribution costs		(2,232)	–	(2,232)
Administrative expenses				
– Other administrative expenses		(6,097)	–	(6,097)
– One-off items		–	–	–
– Amortisation of intangible assets		–	(169)	(169)
– Share-based payment charges		–	(159)	(159)
<b>Operating profit/(loss)</b>		<b>2,717</b>	<b>(328)</b>	<b>2,389</b>
Interest income	5	–	172	172
Finance costs	5	(506)	–	(506)
<b>Profit/(loss) from continuing operations before tax</b>		<b>2,211</b>	<b>(156)</b>	<b>2,055</b>
Tax on profit/(loss) from continuing operations	6	(544)	(20)	(564)
<b>Net result from continuing operations</b>		<b>1,667</b>	<b>(176)</b>	<b>1,491</b>
Net result from discontinued operations		–	–	–
<b>Net result for the period</b>		<b>1,667</b>	<b>(176)</b>	<b>1,491</b>
Basic earnings per share (p)	8			<b>11.3</b>
Diluted earnings per share (p)	8			<b>11.3</b>
Adjusted basic earnings per share (p)	8	<b>12.7</b>		
Adjusted diluted earnings per share (p)	8	<b>12.7</b>		

\*Adjusted results are stated before: (i) the charges separately identified above as "adjusting items"; and (ii) the elements of total finance costs set out in note 5 in respect of discount charges on contingent consideration provisions and changes in market value of derivatives.

\*\*The results for the six months ended 31 October 2008 have been re-presented to be consistent with the presentation of the results of discontinued operations for the financial year ended 30 April 2009.

Unaudited (re-presented**) six months ended 31 October 2008			Audited year ended 30 April 2009		
Adjusted results* £'000	Adjusting items £'000	Total £'000	Adjusted results* £'000	Adjusting items £'000	Total £'000
53,643	–	53,643	118,602	–	118,602
(42,864)	–	(42,864)	(93,857)	–	(93,857)
10,779	–	10,779	24,745	–	24,745
(1,991)	–	(1,991)	(4,777)	–	(4,777)
(6,685)	–	(6,685)	(13,917)	–	(13,917)
–	(968)	(968)	–	(1,508)	(1,508)
–	(264)	(264)	–	(456)	(456)
–	(41)	(41)	–	116	116
2,103	(1,273)	830	6,051	(1,848)	4,203
–	–	–	47	–	47
(846)	(315)	(1,161)	(1,556)	(680)	(2,236)
1,257	(1,588)	(331)	4,542	(2,528)	2,014
(123)	(116)	(239)	(1,241)	–	(1,241)
1,134	(1,704)	(570)	3,301	(2,528)	773
–	(3,880)	(3,880)	–	(5,836)	(5,836)
1,134	(5,584)	(4,450)	3,301	(8,364)	(5,063)
		(39.0)			(42.9)
		(39.0)			(42.6)
9.9			28.0		
9.3			27.8		

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	Unaudited six months ended 31 October 2009 £'000	Unaudited six months ended 31 October 2008 £'000	Audited year ended 30 April 2009 £'000
<b>Profit/(loss) for the year</b>	<b>1,491</b>	(4,450)	(5,063)
<b>Other comprehensive income:</b>			
Currency translation differences	(394)	(58)	1,404
<b>Other comprehensive income net of tax</b>	<b>(394)</b>	(58)	1,404
<b>Total comprehensive income for the year</b>	<b>1,097</b>	(4,508)	(3,659)
<b>Attributable to:</b>			
- Owners of the parent	1,097	(4,508)	(3,659)

# CONSOLIDATED BALANCE SHEET

AT 31 OCTOBER 2009

	Notes	Unaudited 31 October 2009 £'000	Unaudited 31 October 2008 £'000	Audited 30 April 2009 £'000
<b>Non-current assets</b>				
Goodwill		30,828	31,245	30,821
Other intangible assets		451	724	623
Property, plant and equipment		15,471	16,640	15,283
Deferred tax asset		150	182	198
		<b>46,900</b>	48,791	46,925
<b>Current assets</b>				
Inventories		21,433	19,946	14,319
Trade and other receivables		26,511	29,497	19,190
Current tax assets		–	125	–
Cash at bank		3,178	501	5,405
		<b>51,122</b>	50,069	38,914
<b>Total assets</b>		<b>98,022</b>	98,860	85,839
<b>Current liabilities</b>				
Trade and other payables		(25,459)	(28,441)	(23,763)
Performance-related contingent consideration		–	(1,065)	(220)
Current tax liabilities		(452)	–	(252)
Obligations under finance leases	11	(110)	(350)	(214)
Derivative financial instruments		(435)	(201)	(607)
Borrowings and overdrafts	11	(27,160)	(24,220)	(15,712)
		<b>(53,616)</b>	(54,277)	(40,768)
<b>Net current liabilities</b>		<b>(2,494)</b>	(4,208)	(1,854)
<b>Non-current liabilities</b>				
Obligations under finance leases	11	(120)	(247)	(167)
Borrowings	11	(2,829)	(6,218)	(4,676)
Deferred tax liabilities		(1,548)	(1,915)	(1,575)
Performance-related contingent consideration		(300)	(522)	(300)
		<b>(4,797)</b>	(8,902)	(6,718)
<b>Total liabilities</b>		<b>(58,413)</b>	(63,179)	(47,486)
<b>Net assets</b>		<b>39,609</b>	35,681	38,353
<b>Equity</b>				
Share capital		1,324	1,151	1,324
Share premium account		28,252	26,449	28,252
Merger reserve		3,411	3,411	3,411
Equity reserve		2,484	1,411	2,719
Retained earnings		4,138	3,259	2,647
<b>Total shareholders' equity</b>		<b>39,609</b>	35,681	38,353

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Equity reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 May 2008	1,151	26,449	3,411	1,431	7,859	40,301
<b>Comprehensive income</b>						
Loss for the period	–	–	–	–	(4,450)	(4,450)
<b>Other comprehensive income</b>						
– Foreign exchange (loss) on translation of foreign operations	–	–	–	(58)	–	(58)
Total other comprehensive income	–	–	–	(58)	–	(58)
<b>Total comprehensive income</b>	–	–	–	(58)	(4,450)	(4,508)
Transactions with owners:						
– Share-based payment charge	–	–	–	41	–	41
– Deferred tax on share-based payment charge	–	–	–	(3)	–	(3)
– Purchase of treasury shares	–	–	–	–	(150)	(150)
<b>Total transactions with owners</b>	–	–	–	38	(150)	(112)
<b>Balance at 31 October 2008</b>	<b>1,151</b>	<b>26,449</b>	<b>3,411</b>	<b>1,411</b>	<b>3,259</b>	<b>35,681</b>
Balance at 1 May 2008	1,151	26,449	3,411	1,431	7,859	40,301
<b>Comprehensive income</b>						
Loss for the year	–	–	–	–	(5,063)	(5,063)
<b>Other comprehensive income</b>						
– Foreign exchange gain on translation of foreign operations	–	–	–	1,404	–	1,404
Total other comprehensive income	–	–	–	1,404	–	1,404
<b>Total comprehensive income</b>	–	–	–	1,404	(5,063)	3,659
Transactions with owners:						
– Share-based payment (credit)	–	–	–	(116)	–	(116)
– Purchase of treasury shares	–	–	–	–	(149)	(149)
– Proceeds from shares issued	173	1,803	–	–	–	1,976
<b>Total transactions with owners</b>	<b>173</b>	<b>1,803</b>	<b>–</b>	<b>(116)</b>	<b>(149)</b>	<b>1,711</b>
<b>Balance at 30 April 2009</b>	<b>1,324</b>	<b>28,252</b>	<b>3,411</b>	<b>2,719</b>	<b>2,647</b>	<b>38,353</b>
Balance at 1 May 2009	1,324	28,252	3,411	2,719	2,647	38,353
<b>Comprehensive income</b>						
Profit for the period	–	–	–	–	1,491	1,491
<b>Other comprehensive income</b>						
– Foreign exchange (loss) on translation of foreign operations	–	–	–	(394)	–	(394)
Total other comprehensive income	–	–	–	(394)	–	(394)
<b>Total comprehensive income</b>	–	–	–	(394)	1,491	1,097
Transactions with owners:						
– Share-based payment charge	–	–	–	159	–	159
<b>Total transactions with owners</b>	–	–	–	159	–	159
<b>Balance at 31 October 2009</b>	<b>1,324</b>	<b>28,252</b>	<b>3,411</b>	<b>2,484</b>	<b>4,138</b>	<b>39,609</b>

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	Notes	Unaudited six months ended 31 October 2009 £'000	Unaudited (re-presented*) six months ended 31 October 2008 £'000	Audited year ended 30 April 2009 £'000
<b>Cash flow from operating activities</b>				
Profit/(loss) on ordinary activities before taxation		2,055	(331)	2,014
Finance costs		506	1,161	2,236
Interest income		(172)	–	(47)
Share-based payment charge		159	41	(116)
Depreciation (including trademark amortisation)		1,157	1,196	2,346
Loss on sale of property, plant and equipment		–	4	22
Amortisation of intangible assets		169	264	457
One-off items		–	968	1,388
Net movement in working capital		(12,741)	(13,276)	(2,469)
(Increase) in inventories		(7,115)	(6,171)	(1,299)
(Increase) in receivables		(7,321)	(15,133)	(4,504)
(Increase) in payables		1,695	8,028	3,334
<b>Cash flow from continuing operations</b>		<b>(8,867)</b>	<b>(9,973)</b>	<b>5,831</b>
<b>Cash flow from discontinued operations</b>		<b>–</b>	<b>(1,017)</b>	<b>(1,002)</b>
<b>Total cash flow from operations</b>		<b>(8,867)</b>	<b>(10,990)</b>	<b>4,829</b>
Net interest paid		(506)	(846)	(1,510)
Tax paid		(268)	(602)	(782)
<b>Cash generated from activities in continuing operations</b>		<b>(9,641)</b>	<b>(11,421)</b>	<b>3,539</b>
<b>Cash flow generated from operating activities in discontinued operations</b>		<b>–</b>	<b>(1,017)</b>	<b>(1,002)</b>
<b>Net cash flow from operating activities</b>		<b>(9,641)</b>	<b>(12,438)</b>	<b>2,537</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment		(1,338)	(2,438)	(3,847)
Proceeds from sale of plant and equipment		–	–	42
Disposal of subsidiary		–	–	(220)
Total cash impact of acquisitions		(220)	(888)	(879)
Acquisitions of businesses (including contingent consideration)		(220)	(888)	(879)
Net borrowings assumed on acquisition		–	–	–
<b>Net cash outflow from continuing investing activities</b>		<b>(1,558)</b>	<b>(3,326)</b>	<b>(4,904)</b>
<b>Net cash outflow from discontinued investing activities</b>		<b>–</b>	<b>(44)</b>	<b>–</b>
<b>Net cash flow from investing activities</b>		<b>(1,558)</b>	<b>(3,370)</b>	<b>(4,904)</b>
<b>Cash flow from financing activities</b>				
Net proceeds from issue of ordinary share capital		–	–	1,976
Purchase of own shares		–	(150)	(149)
Proceeds from new borrowings		–	–	–
Repayment of borrowings		(1,306)	(1,140)	(3,536)
Finance lease repayments		(152)	(242)	(457)
<b>Net cash flow from financing activities</b>		<b>(1,458)</b>	<b>(1,532)</b>	<b>(2,166)</b>
<b>Net decrease in cash and cash equivalents</b>	10	<b>(12,657)</b>	<b>(17,340)</b>	<b>(4,533)</b>
Cash and cash equivalents at the beginning of the period		(8,127)	(3,331)	(3,331)
Effect of foreign exchange rate movements		(478)	(16)	(263)
<b>Cash and cash equivalents at the end of the period</b>	11	<b>(21,262)</b>	<b>(20,687)</b>	<b>(8,127)</b>
<b>Cash and cash equivalents consist of:</b>				
Cash at bank		3,178	501	5,405
Bank overdrafts		(24,440)	(21,188)	(13,532)
	11	<b>(21,262)</b>	<b>(20,687)</b>	<b>(8,127)</b>

\*The results for the six months ended 31 October 2008 have been re-presented to be consistent with the presentation of the results of discontinued operations for the financial year ended 30 April 2009.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

### 1. GENERAL INFORMATION

Zetar Plc was incorporated on 8 December 2004 and was admitted to trading on AIM on 6 January 2005. The Company was established for the purpose of acquiring or making investments in companies or businesses engaged primarily in the confectionery and snack foods or related markets.

The condensed consolidated interim financial information, which has been subject to independent review, but not audited, was approved for issue on 19 January 2010.

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim financial information for each of the six month periods ended 31 October 2009 and 31 October 2008 has not been audited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 2006. The information for the year ended 30 April 2009 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 2006, but is based on the statutory accounts for that year, on which the Group's auditors gave an unqualified report and which have been filed with the Registrar of Companies.

### 3. ACCOUNTING POLICIES

The accounting policies applied are those which will be adopted in the annual financial statements for the year ending 30 April 2010. These are consistent with the accounting policies used in the financial statements for the year ended 30 April 2009 and which are set out in those annual financial statements.

The Group has adopted the following amended IFRS as of 1 May 2009:

- IAS 1 (revised) "Presentation of Financial Statements" – effective 1 January 2009. The revised standard requires the separate presentation of changes in equity not related to transactions with owners in a statement of comprehensive income. As a result the Group has presented all owner changes in equity in the consolidated statement of changes in equity and all non-owner changes in equity in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is in conformity with the revised standard and has not impacted the Group's earnings per share.
- IFRS 8 "Operating Segments" – effective 1 January 2009. The revised standard requires the Group to present its operating segments on the same basis as that provided to the chief operating decision maker; such chief operating decision maker being the Chief Executive. The presentation of segmental results has not had to be restated as a result of the adoption of the amended standard as the basis of presentation in prior periods is consistent with that required in the standard.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### 4. SEGMENT INFORMATION

	Unaudited six months ended 31 October 2009 £'000	Unaudited six months ended 31 October 2008 £'000	Audited year ended 30 April 2009 £'000
<b>Business segments</b>			
<b>Revenue</b>			
Confectionery	33,091	31,092	75,093
Natural & Premium Snacks	23,999	22,551	43,509
<b>Total</b>	<b>57,090</b>	53,643	118,602
<b>Operating profit</b>			
Confectionery	1,218	377	2,695
Natural & Premium Snacks	1,094	453	1,508
<b>Total</b>	<b>2,312</b>	830	4,203
<b>Adjusted operating profit</b>			
Confectionery	1,366	1,419	4,378
Natural & Premium Snacks	1,351	684	1,673
<b>Total</b>	<b>2,717</b>	2,103	6,051
<b>Revenue by destination</b>			
UK	52,202	47,912	107,790
Europe	1,898	2,583	5,089
Australasia	1,801	702	1,698
Rest of the world	1,189	2,446	4,025
<b>Total</b>	<b>57,090</b>	53,643	118,602

- Operating segments are identified on the same basis as the Group allocates its resources such as management, tangible assets and working capital.
- The two reportable operating segments derive their revenue primarily from the manufacture and sale of chocolate and natural and premium snacks.
- The performance of reportable segments is assessed on a measure of adjusted operating profit, excluding non-recurring items such as restructuring costs; share-based payment (charges)/credits; amortisation of intangible assets; and unrealised gains/(losses) on financial instruments.

# NOTES TO THE INTERIM FINANCIAL INFORMATION CONTINUED FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

## 5. FINANCE COSTS

	Unaudited six months ended 31 October 2009 £'000	Unaudited six months ended 31 October 2008 £'000	Audited year ended 30 April 2009 £'000
Net bank interest payable and similar charges	506	846	1,509
Discount charge on contingent consideration provisions	—	42	—
Change in market value of derivatives	(172)	273	680
	<b>334</b>	1,161	2,189

## 6. TAXATION

The income tax expense for the six months ended 31 October 2009 has been calculated on the basis of the estimated effective tax rate on profits for the full year.

## 7. DIVIDENDS

The Directors do not propose to pay a dividend for the period (2008: £nil).

## 8. EARNINGS PER SHARE

	Unaudited six months ended 31 October 2009			Unaudited six months ended 31 October 2008			Audited year ended 30 April 2009		
	Earnings £'000	Weighted average no. of shares 000s	Per share amount Pence	Earnings £'000	Weighted average no. of shares 000s	Per share amount Pence	Earnings £'000	Weighted average no. of shares 000s	Per share amount Pence
Basic earnings per share	1,491	13,142	11.3	(4,450)	11,418	(39.0)	(5,063)	11,796	(42.9)
Diluted earnings per share	1,491	13,142	11.3	(4,450)	11,418	(39.0)	(5,063)	11,887	(42.6)
Adjusted basic earnings per share	1,667	13,142	12.7	1,134	11,418	9.9	3,301	11,796	28.0
Adjusted diluted earnings per share	1,667	13,142	12.7	1,134	12,151	9.3	3,301	11,887	27.8
Basic loss per share on discontinued operations	—	—	—	(3,880)	11,418	(33.9)	(5,836)	11,796	(49.5)
Basic diluted loss per share on discontinued operations	—	—	—	(3,880)	12,151	(31.9)	(5,836)	11,887	(49.1)

The calculation of basic earnings per share is based on the profit after tax and the weighted average number of shares during each period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares arise from share options and warrants.

Adjusted basic earnings per share and adjusted diluted earnings per share have also been calculated as in the opinion of the Directors this allows shareholders to gain a clearer understanding of the sustainable trading performance of the Group.

## 9. BUSINESS COMBINATIONS

Performance-related deferred consideration, in relation to the acquisition of Lir Chocolates is payable within the next two years, dependent on the results of the business. The final performance related deferred consideration totalling £220,000 was paid during the six months ended 31 October 2009 in respect of the Horsley, Hick & Flower acquisition.

## 10. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Unaudited six months ended 31 October 2009 £'000	Unaudited six months ended 31 October 2008 £'000	Audited year ended 30 April 2009 £'000
Decrease in cash and cash equivalents	(12,657)	(17,340)	(4,533)
Cash outflow from movement in debt financing	1,306	1,140	3,536
Cash outflow from movement in lease financing	152	242	457
Movement in net debt arising from cash flows	(11,199)	(15,958)	(540)
Other non-cash changes	(478)	(14)	(262)
Debt acquired with subsidiary	—	—	—
Net debt brought forward	(15,364)	(14,562)	(14,562)
<b>Net debt carried forward</b>	<b>(27,041)</b>	<b>(30,534)</b>	<b>(15,364)</b>

Other non-cash changes in the current period relate solely to the effect of foreign exchange rate movements.

## 11. ANALYSIS OF NET DEBT

	Unaudited six months ended 31 October 2009 £'000	Unaudited six months ended 31 October 2008 £'000	Audited year ended 30 April 2009 £'000
Cash at bank	3,178	501	5,405
Bank overdrafts	(24,440)	(21,188)	(13,532)
<b>Cash and cash equivalents</b>	<b>(21,262)</b>	<b>(20,687)</b>	<b>(8,127)</b>
Debt due within one year	(2,720)	(3,032)	(2,180)
Debt due after more than one year	(2,829)	(6,218)	(4,676)
Finance leases	(230)	(597)	(381)
<b>Net debt</b>	<b>(27,041)</b>	<b>(30,534)</b>	<b>(15,364)</b>

# PRINCIPAL SUBSIDIARIES AND TRADING DIVISIONS

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Website: [www.kinnerton.com](http://www.kinnerton.com)

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### LIR CHOCOLATES LIMITED

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