

20 January 2009

Zetar Plc (“Zetar”, “the Company” or the “Group”)

Interim Results for the six months ended 31 October 2008

Zetar Plc, the AIM listed confectionery and snack foods group, announces its interim results for the six months ended 31 October 2008.

Highlights

- Sales up 15%, despite difficult first half for the Group:
 - Falling consumer confidence and spending
 - Historically high fruit & nut raw material costs
- Loss of Woolworths as a customer due to administration post period end and related bad debt provisions
- Decision taken to dispose of Baked Snacks to focus on profitable core business
- Ongoing activities* (excluding Baked Snacks):
 - Turnover up 13% to £53.6m
 - EBITDA** down 13% to £3.3m
 - Adjusted operating profit*** down 25% to £2.1m
 - Adjusted diluted earnings per share 8.9p (2007: 13.0p)

- Group results (including Baked Snacks):
 - Turnover up 15% to £55.2m (2007: £48.0m)
 - EBITDA** down 23% to £2.7m (2007: £3.5m)
 - Operating loss £3.1m (2007: profit £2.0m)
- Total net borrowings at 31 October 2008 of £30.5m (31 October 2007: £26.4m)
- Turnover of ongoing activities* for eight months to 31 December 2008 of £73m (2007: £67m)
- The Board remains confident in the robustness of, and prospects for, the ongoing business

* *Ongoing activities comprise all activities except for those of Baked Snacks*

** *EBITDA is stated before exceptional bad debt provisions and share-based payment costs*

*** *Adjusted operating profit is stated before: charges in respect of impairment of Baked Snacks' assets and goodwill; exceptional bad debt provisions; amortisation of intangible assets; and share-based payment costs*

Ian Blackburn, Chief Executive said:

“The first half of the year proved very challenging for the Group. However, whilst we acknowledge that conditions are likely to remain tough, we remain confident in the robustness of the Group’s core businesses and believe that actions taken and planned will enable the Group to renew its track record of profit growth next year.”

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ZETAR Plc

Operational review

Overview

The interim results of Zetar Plc (“Zetar” or the “Group”) are for the six months ended 31 October 2008.

As expected, the first half of this year was challenging as we operated in a deteriorating economic environment with falling consumer confidence and spending.

In addition, we had to contend with what we believe to have been the peak in commodity pricing cycles, which had particular impact on raw materials, distribution and energy costs. More recently the Confectionery division lost a major customer, Woolworths plc.

Despite this challenging background, our two core divisions - Confectionery and Natural & Premium Snacks - remain profitable and, following a period of significant investment to improve capacity and efficiencies, have good prospects for future profit improvement.

The Baked Snacks Company Limited (“Baked Snacks”) made a loss, as anticipated, in the first quarter of the year. However, the expected improvement in trading in the second quarter to be driven by customer product launches did not materialise in the anticipated time frame. As a result of the further deferment of new business, allied with the general decline in the business climate, the Board has had to extend the timeframe within which Baked Snacks could be expected to make a profit. Whilst the Board remains of the view that the markets for Baked Snacks’ products have long term potential, it believes that the further investment and management resource that Baked Snacks’ requires can be used more effectively within other parts of the Group. Accordingly since 31 October the Board has taken the decision to dispose of Baked Snacks and to focus the Group’s resources on continuing to grow the profitable Confectionery and Natural & Premium Snacks divisions. Discussions with a number of interested parties regarding the sale of Baked Snacks have been underway for a number of weeks since the period end and are continuing.

Throughout this report, Baked Snacks’ results have been shown separately to provide a clearer view of the performance of the Group’s anticipated ongoing activities.

Post period end, the closure of Woolworths removed a major confectionery retailer and one to which we have historically made annual sales of approximately £3.5 million. In the absence of better guidance from Woolworths’ administrators, we have made a full exceptional provision against the outstanding debtor of approximately £0.9 million at 31 October 2008. We believe that we have placed a proportion of the Woolworths’ lost Easter orders with other retailers.

As at 31 October 2008 the Group employed 1,560 people, including 350 agency staff across eight UK sites and one Irish site.

Group financial results

Group sales in the six months to 31 October 2008 were £55.2 million (2007: £48.0 million), an increase of 15 per cent. In aggregate the Confectionery division and the Natural & Premium Snacks division (“ongoing activities”) reported sales of £53.6 million (2007: £47.3 million), an increase of 13 per cent, and Baked Snacks reported sales of £1.5 million (2007: £0.7 million). Group adjusted operating profit (stated

before exceptional bad debt provisions, impairment of assets and goodwill, amortisation of intangible assets and share-based payments) for the period was £1.3 million (2007: £2.4 million). The adjusted operating profit of ongoing activities was £2.1 million (2007: £2.8 million), a decrease of 25 per cent. Baked Snacks reported an adjusted operating loss of £0.8 million (2007: £0.4 million).

Total finance costs in the period amounted to £1.2 million (2007: £0.9 million). Included in this total are movements on foreign exchange and interest rate financial instruments which, in the period under review, resulted in a charge of £273,000 (2007: £87,000) and the amortisation of the discount on deferred consideration payments of £42,000 (2007: £62,000). Underlying net interest payable increased to £0.8 million (2007: £0.7 million).

The tax charge for the period is based on the estimated effective tax rate on profits for the full year of 27 per cent, which is also in line with the effective tax rate for the year ended 30 April 2008.

Adjusted diluted earnings per share for the period were 2.7p (2007: 9.9p). Adjusted diluted earnings per share for ongoing activities were 8.9p (2007: 13.0p).

The Group's working capital requirement peaked, as usual, just before the period end, but was higher than last year due to the increase in sales and the inclusion of Lir. This seasonal working capital movement is anticipated to reverse before the April 2009 year end, although a later Easter will probably result in some receipts being delayed into the start of the following financial year. The working capital increase, together with capital expenditure of £2.5 million (principally to increase capacity), resulted in total net borrowings at 31 October 2008 of £30.5 million (31 October 2007: £26.4 million).

During the period the Group agreed renewal and increase of its working capital facilities with maturity in December 2010 generally and, in part, in September 2012.

Business review

Results by division were as follows:

Confectionery division

	Six months ended 31 October	
	<u>2008</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Sales	31,092	26,717
Adjusted operating profit	1,419	1,312

The businesses comprising the Confectionery division have received significant investment in recent years, including the extension of its product range to incorporate more all year round as well as boxed and enrobed chocolate products. A further £2 million was invested in the period under review, largely in our new subsidiaries to streamline production and enhance new product opportunities. The benefits of this investment are starting to come through via new product launches and manufacturing efficiencies.

Lir, the high quality manufacturer of premium chocolates acquired by the Group in December 2007, made a first time contribution to the division in the first half, despite the adverse impact of falling Sterling exchange rates against the Euro, with sales of

£3.9 million and adjusted operating profit of £0.2 million. Lir is based in Ireland and whilst most of its costs are in Euros, a majority of its sales are to UK retailers. We are pleased with the operational integration of Lir into the Confectionery division and are encouraged by the initial sales of its new products. However, in the short term Lir's financial performance will continue to be held back by the further significant falls in the value of Sterling against the Euro.

As planned we invested £1.2 million during the period to extend the production and packaging facilities of Lir's factory, increasing capacity and efficiency of truffles and bar production through automation. The new production capability further enhances product development opportunities. Bailey's product lines continue to be developed and extended and are being well received by customers.

The division's UK operations experienced a slowdown in customer orders as the first half of the year progressed, restricting like for like revenue growth to 2 per cent; although this Christmas we sold more advent calendars than any other manufacturer in the UK. Profitability for the period was held back by the absorption of the costs of commissioning the new Horsley Hick & Flower ("HHF") factory for chocolate and yoghurt coated products and the higher overheads incurred before significant new retail and third party sales commenced in the autumn. Recent contract wins should ensure HHF's new sugar panning department operates at capacity for at least the next two years.

Our character licence portfolio benefitted from good contributions from, in particular, The Simpsons, Winnie The Pooh and Ben 10. Exports to the USA have grown over the last two years and are expected to benefit further from the fall in Sterling.

Without a strong character license portfolio for the territory during the period, Kinnerton Australia's performance was relatively disappointing. However, having recently been awarded the Disney character licenses for the Australian confectionery market, performance is expected to improve.

As Kinnerton is a UK based manufacturer, we are anticipating benefits from the fall in Sterling in terms of competitiveness in UK markets compared to overseas suppliers and importers.

Since the period end, the division's third largest retail customer, Woolworths, has been placed in administration. As announced previously, we have made full provision of approximately £0.9 million against the aggregate of unpaid sales to Woolworths in the period and inventory on hand at the period end subsequently sold to Woolworths up to the date of the Administrator's appointment at the end of November. On an annual basis sales to Woolworths have historically amounted to approximately £3.5 million.

Natural & Premium Snacks division

	Six months ended 31 October	
	<u>2008</u>	<u>2007</u>
	£'000	£'000
Sales	22,551	20,588
Adjusted operating profit	684	1,474

The 10 per cent increase in sales over the previous period reflects a combination of: raw material cost inflation (particularly in respect of nuts); increased sales to a

broader base of retail customers in the UK and for the first time to Europe; and the launch of new 'added value' fruit products such as bars for the US market and sugar free flakes in the UK.

However, as expected our margins have been impacted and adjusted operating profit margin has reduced from 7% to 3% mainly due to cyclical raw material cost increases, exacerbated by the dramatic fall in the value of Sterling against other currencies particularly the US Dollar since the summer. After a period of earlier customer price increases to recover rising input costs, it proved more difficult to pass on further cost increases later in the period. We also endured a period where distribution and energy costs were at their peak.

Although in the immediate future we believe our margins will continue to be depressed, we are starting to see some forward raw material prices reducing and expect margins to improve gradually as 2009 progresses.

Many of our added value healthier snack products are now marketed under the "Fruit Factory" brand and we expect these to be a key growth area for the division going forward. We are aiming to reduce the margin cyclicalities experienced in the division by increasing the proportion of products with more 'added value'. For example, in early 2009 we are launching a new range of flavoured nuts under a major household brand.

The Baked Snacks Company

Baked Snacks continued to underperform against the Board's original expectations. In the period under review Baked Snacks contributed sales of £1.5 million (2007: £0.7 million) and an adjusted operating loss of £0.8 million (2007: £0.4 million). Accordingly a £3 million impairment provision has been made against the value of the underlying assets and £77,000 of goodwill has been written off.

As set out above, the Board has taken the decision to dispose of Baked Snacks.

Outlook

The marked deterioration in the financial and economic markets over the last twelve months and the expectation that they will remain challenging have necessitated changes to the Group's strategy for the foreseeable future and the Board has adapted the strategy accordingly. The Board's priority is to increase shareholder value through achieving organic profit growth of our existing ongoing operations and by focusing on optimising cash generation to reduce structural borrowings.

We believe that despite the challenging conditions under which we are operating, we have the right focus and strategy to continue to grow the ongoing businesses.

We are experiencing the benefits of the significant investment in the Confectionery division over a number of years and expect that a number of recent new contracts will increasingly have a positive impact on the results of the division as 2009 progresses.

In the Natural & Premium Snacks division we anticipate a gradual margin recovery later in 2009 as raw material prices continue to ameliorate and 2009 customer price increases come into effect, together with new product initiatives in healthier fruit snacks and flavoured nuts.

Although the fall in the value of Sterling against the Euro will have an adverse and previously unanticipated impact on our Irish operation (which sells 65 per cent of its

output to UK retailers), it should ultimately improve the competitive price position of our UK manufacturing base (which accounts for approximately 85 per cent of our confectionery sales), and provide opportunities to regain business previously lost to importers. It should also enhance export prospects, several of which are already being explored.

As a result of the Group's more modest short term corporate ambitions, Dale Mullins, currently Group Finance Director, will leave the Group by mutual consent on 8 March 2009. We would like to thank Dale for his contribution to the Group. For the foreseeable future my role will combine that of Chief Executive and Finance Director.

Our core markets have good growth prospects and we are focused on ensuring the Group continues to strengthen its component businesses to drive innovation, cross selling and new product development. Furthermore as the businesses are now well invested they will require a lower level of structural capital expenditure.

The Board acknowledges that, like many companies operating against the current market backdrop, the Group faces many challenges in the coming year and that conditions are likely to remain tough. However the Board remains confident in the robustness of the Group's ongoing businesses and it believes that recent actions taken will enable the Group to renew its track record of profit growth next year.

Ian Blackburn
Chief Executive

Consolidated income statement

£'000	Note	Unaudited six months ended 31 October 2008			Unaudited six months ended 31 October 2007			Audited year ended 30 April 2008		
		Adjusted results*	Adjusting items	Total	Adjusted results*	Adjusting items	Total	Adjusted results*	Adjusting items	Total
Revenue										
Ongoing operations		53,643	-	53,643	47,305	-	47,305	109,216	-	109,216
The Baked Snacks Company		1,513	-	1,513	744	-	744	2,014	-	2,014
Total revenue	4	55,156	-	55,156	48,049	-	48,049	111,230	-	111,230
Cost of sales		(44,472)	-	(44,472)	(37,275)	-	(37,275)	(85,656)	(203)	(85,859)
Gross profit		10,684	-	10,684	10,774	-	10,774	25,574	(203)	25,371
Distribution costs		(2,057)	-	(2,057)	(1,774)	-	(1,774)	(5,113)	-	(5,113)
Administrative expenses										
Exceptional bad debt provisions		-	(968)	(968)	-	-	-	-	-	-
Impairment of assets & goodwill		-	(3,077)	(3,077)	-	-	-	-	-	-
Amortisation of intangible assets		-	(264)	(264)	-	(333)	(333)	-	(675)	(675)
Share based payment charges		-	(41)	(41)	-	(125)	(125)	-	(377)	(377)
Other administrative expenses		(7,327)	-	(7,327)	(6,580)	-	(6,580)	(12,693)	-	(12,693)
Operating profit										
Ongoing operations		2,103	(1,273)	830	2,786	(458)	2,328	8,724	(1,052)	7,672
The Baked Snacks Company		(803)	(3,077)	(3,880)	(366)	-	(366)	(956)	(203)	(1,159)
	4	1,300	(4,350)	(3,050)	2,420	(458)	1,962	7,768	(1,255)	6,513
Finance costs	5	(846)	(315)	(1,161)	(726)	(149)	(875)	(1,617)	(144)	(1,761)
Profit / (loss) on ordinary activities before taxation		454	(4,665)	(4,211)	1,694	(607)	1,087	6,151	(1,399)	4,752
Tax on profit on ordinary activities	6	(123)	(116)	(239)	(473)	172	(301)	(1,747)	240	(1,507)
Profit / (loss) on ordinary activities after taxation		331	(4,781)	(4,450)	1,221	(435)	786	4,404	(1,159)	3,245
Basic earnings per share	8			(39.0)			7.3			29.5
Diluted earnings per share	8			(39.0)			6.4			25.9
Adjusted basic earnings per share	8	2.9			11.4			40.1		
Adjusted diluted earnings per share	8	2.7			9.9			35.2		

* Adjusted results are stated before: (i) the charges separately identified above as "adjusting items" within administrative expenses; (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; and (iii) in cost of sales in the year ended April 2008, non-recurring customer contract costs..

Consolidated balance sheet

£000's	Unaudited 31 October 2008	Unaudited 31 October 2007	Audited 30 April 2008
Non-current assets			
Goodwill	31,245	28,131	32,363
Other intangible assets	724	509	1,002
Property, plant & equipment	16,640	16,330	18,545
Deferred tax asset	182	292	167
	48,791	45,262	52,077
Current assets			
Inventories	19,946	15,662	13,364
Trade and other receivables	29,497	25,718	15,253
Current tax assets	125	-	-
Other financial assets	-	-	72
Cash at bank	501	1,879	3,175
	50,069	43,259	31,864
Total assets	98,860	88,521	83,941
Current liabilities			
Trade and other payables	28,441	23,661	20,337
Performance related contingent consideration	1,065	1,049	876
Current tax liabilities	-	458	687
Other financial liabilities	201	37	-
Obligations under finance leases	350	401	470
Borrowings and overdrafts	24,220	27,413	9,289
	54,277	53,019	31,659
Net current (liabilities) / assets	(4,208)	(9,760)	205
Non-current liabilities			
Obligations under finance leases	247	502	369
Borrowings	6,218	-	7,609
Deferred tax liabilities	1,915	959	1,448
Performance related contingent consideration	522	674	2,555
	8,902	2,135	11,981
Total liabilities	(63,179)	(55,154)	(43,640)
Net assets	35,681	33,367	40,301
Equity			
Share capital	1,151	1,076	1,151
Share premium account	26,449	22,717	26,449
Merger reserve	3,411	3,229	3,411
Equity reserve	1,411	740	1,431
Retained earnings	3,259	5,605	7,859
Total shareholders' equity	35,681	33,367	40,301

Consolidated statement of changes in equity

£000's	Share capital	Share premium account	Merger reserve	Equity reserve	Retained earnings	Total
Six months ended 31 October 2007						
Deferred tax on share-based payments	-	-	-	(6)	-	(6)
Exchange differences	-	-	-	-	31	31
Net income recognised directly in equity	-	-	-	(6)	31	25
Profit for the period	-	-	-	-	786	786
Total recognised income and expense for the period	-	-	-	(6)	817	811
Share-based payment charge	-	-	-	125	-	125
Purchase of own shares	-	-	-	-	(300)	(300)
Issue of new ordinary shares	3	44	-	-	-	47
Balance at 1 May 2007	1,073	22,673	3,229	621	5,088	32,684
Balance at 31 October 2007	1,076	22,717	3,229	740	5,605	33,367
Year ended 30 April 2008						
Deferred tax on share-based payments	-	-	-	(124)	-	(124)
Exchange differences	-	-	-	557	-	557
Net income recognised directly in equity	-	-	-	433	-	433
Profit for the period	-	-	-	-	3,245	3,245
Total recognised income and expense for the period	-	-	-	433	3,245	3,678
Share-based payment charge	-	-	-	377	-	377
Purchase of own shares	-	-	-	-	(300)	(300)
Issue of new ordinary shares	78	3,776	182	-	-	4,036
Balance at 1 May 2007	1,073	22,673	3,229	621	4,914	32,510
Balance at 30 April 2008	1,151	26,449	3,411	1,431	7,859	40,301
Six months ended 31 October 2008						
Deferred tax on share-based payments	-	-	-	(3)	-	(3)
Exchange differences	-	-	-	(58)	-	(58)
Net income recognised directly in equity	-	-	-	(61)	-	(61)
Loss for the period	-	-	-	-	(4,450)	(4,450)
Total recognised income and expense for the period	-	-	-	(61)	(4,450)	(4,511)
Share-based payment charge	-	-	-	41	-	41
Purchase of own shares	-	-	-	-	(150)	(150)
Balance at 1 May 2008	1,151	26,449	3,411	1,431	7,859	40,301
Balance at 31 October 2008	1,151	26,449	3,411	1,411	3,259	35,681

Consolidated cash flow statement

£000's	Notes	Unaudited six months ended		Audited
		31 October 2008	31 October 2007	year ended 30 April 2008
Cash flow from operating activities:				
(Loss) / profit on ordinary activities before taxation		(4,211)	1,087	4,752
Impairment of assets		3,077	-	-
Net finance costs		1,161	875	1,761
Depreciation		1,390	1,078	2,271
Amortisation charges		264	333	675
Loss on disposal of property, plant & equipment		4	11	6
Share-based payment charge		41	125	377
Increase in working capital		(12,716)	(11,214)	(1,394)
Cash (used in) / generated from operations		(10,990)	(7,705)	8,448
Interest paid		(846)	(729)	(1,646)
Tax paid		(602)	(889)	(1,682)
Net cash flow from operating activities		(12,438)	(9,323)	5,120
Cash flow from investing activities:				
Purchase of property, plant and equipment		(2,482)	(2,136)	(4,266)
Proceeds from sale of plant and equipment		-	-	26
Acquisitions		(888)	(4,972)	(7,514)
Cash and cash equivalents acquired		-	-	(919)
Net cash outflow from investing activities		(3,370)	(7,108)	(12,673)
Cash flows from financing activities:				
Net proceeds from issue of ordinary share capital		-	47	3,851
Purchase of own shares		(150)	(300)	(300)
Proceeds from new borrowings		-	5,290	5,000
Repayment of borrowings		(1,140)	(2,525)	(4,819)
Finance lease repayments		(242)	(225)	(472)
Net cash flow from financing activities		(1,532)	2,287	3,260
Net decrease in cash and cash equivalents	10	(17,340)	(14,144)	(4,293)
Cash and cash equivalents at the beginning of the period		(3,331)	917	917
Effect of foreign exchange rate movements		(16)	-	45
Cash and cash equivalents at the end of the period	11	(20,687)	(13,227)	(3,331)
Cash and cash equivalents consist of:				
Cash at bank		501	1,879	3,175
Bank overdrafts		(21,188)	(15,106)	(6,506)
	11	(20,687)	(13,227)	(3,331)

Notes to the interim financial information

1. General information

Zetar Plc was incorporated on 8 December 2004 and was admitted to trading on the 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 2009.

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 2008, 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 2008 and 31 October 2007 has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The information for the year ended 30 April 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, 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 2009. These are consistent with the accounting policies used in the financial statements for the year ended 30 April 2008 and which are set out in those annual financial statements.

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

£000's	Unaudited six months ended		Audited year ended
	31 October 2008	31 October 2007	30 April 2008
Business segments			
Revenue			
Confectionery	31,092	26,717	68,481
Natural & Premium Snacks	22,551	20,588	40,735
Total - Ongoing operations	53,643	47,305	109,216
The Baked Snacks Company	1,513	744	2,014
	<u>55,156</u>	<u>48,049</u>	<u>111,230</u>
Operating profit / (loss)			
Confectionery	377	1,153	5,176
Natural & Premium Snacks	453	1,175	2,496
Total - Ongoing operations	830	2,328	7,672
The Baked Snacks Company	(3,880)	(366)	(1,159)
	<u>(3,050)</u>	<u>1,962</u>	<u>6,513</u>
Adjusted operating profit / (loss)			
Confectionery	1,419	1,312	5,634
Natural & Premium Snacks	684	1,474	3,090
Total - Ongoing operations	2,103	2,786	8,724
The Baked Snacks Company	(803)	(366)	(956)
	<u>1,300</u>	<u>2,420</u>	<u>7,768</u>
Revenue by destination			
UK	49,107	42,966	100,699
Europe	2,634	1,906	3,265
Australasia	969	1,206	3,426
Rest of the world	2,446	1,971	3,840
	<u>55,156</u>	<u>48,049</u>	<u>111,230</u>

The results of The Baked Snacks Company have been separately identified so as to provide a clearer view of the performance of the Group's anticipated ongoing activities. As explained in the Operational review, the Board has taken the decision to dispose of Baked Snacks and to focus the Group's resources on continuing to grow the profitable Confectionery and Natural & Premium Snacks divisions. Discussions regarding the sale with a number of interested parties have been underway for a number of weeks since the period end and are continuing as at the date of this report.

5. Finance costs

£000's	Unaudited six months ended		Audited year ended
	31 October 2008	31 October 2007	30 April 2008
Net bank interest payable and similar charges	846	726	1,617
Discount charge on contingent consideration provisions	42	62	166
Change in market value of derivatives	273	87	(22)
	<u>1,161</u>	<u>875</u>	<u>1,761</u>

6. Taxation

The income tax expense for the six months ended 31 October 2008 has been calculated on the basis of the estimated effective tax rate on profits for the full year. An exceptional deferred tax charge of £527,000 has been included in the period ended 31 October 2008 in respect of the HM Revenue & Customs phased abolition of Industrial Buildings Allowances over the tax years ending 31 March 2011.

7. Dividends

The directors do not propose to pay a dividend for the period (2007: £Nil).

8. Earnings per share

	Unaudited Six months ended 31 October 2008			Unaudited Six months ended 31 October 2007			Audited Year ended 30 April 2008		
	Earnings (£000's)	Weighted average no. of shares (000's)	Per share amount (pence)	Earnings (£000's)	Weighted average no. of shares (000's)	Per share amount (pence)	Earnings (£000's)	Weighted average no. of shares (000's)	Per share amount (pence)
Basic earnings per share	(4,450)	11,418	(39.0p)	786	10,742	7.3p	3,245	10,984	29.5p
Diluted earnings per share	(4,450)	* 11,418	(39.0p)	786	12,272	6.4p	3,245	12,515	25.9p
Adjusted basic earnings per share	331	11,418	2.9p	1,221	10,742	11.4p	4,404	10,984	40.1p
Adjusted diluted earnings per share	331	12,151	2.7p	1,221	12,272	9.9p	4,404	12,515	35.2p
Adjusted diluted earnings per share for ongoing activities	1,082	12,151	8.9p	1,591	12,272	13.0p	5,318	12,515	42.5

* The weighted average number of shares used in the calculation of the diluted loss per share for the six months ended 31 October 2008 is the same as that in respect of the basic loss per share calculation as it is assumed that the basic loss per share would not in practice be diluted by exercise of options.

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, together with adjusted diluted earnings per share for ongoing activities (excluding Baked Snacks) 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.

Adjusted earnings in the calculation of adjusted diluted earnings per share for ongoing activities exclude the after tax losses of Baked Snacks (net of attributable finance costs) of £751,000 (six months ended 31 October 2007: £370,000; year ended 30 April 2008: £914,000).

The calculation of earnings used in the calculation of adjusted earnings per share was as follows:

£000's	Unaudited six months ended		Audited year ended
	31 October 2008	31 October 2007	30 April 2008
(Loss) / profit for the period	(4,450)	786	3,245
Exceptional bad debt provisions	968	-	-
Impairment of Baked Snacks assets & goodwill	3,077	-	-
Non-recurring customer contract costs	-	-	203
Amortisation of intangible assets	264	333	675
Share-based payments	41	125	377
Discount charge on contingent consideration provisions	42	62	166
Change in market value of derivatives	273	87	(22)
Tax credit related to the above items	(411)	(172)	(240)
Exceptional deferred tax charge re phasing out of Industrial Buildings Allowances (note 6)	527	-	-
Adjusted earnings	331	1,221	4,404

9. Business combinations

Performance related deferred consideration, in relation to the acquisitions of Horsley, Hick & Flower and Lir Chocolates is payable within the next three years, dependent on the results of these businesses. Performance related deferred consideration totalling £888,000 was paid during the six months ended 31 October 2008 in relation to the Readifoods and Horsley, Hick & Flower acquisitions completed in 2006.

10. Reconciliation of net cash flow to movement in net debt

£000's	Unaudited six months ended		Audited year ended
	31 October 2008	31 October 2007	30 April 2008
Decrease in cash and cash equivalents	(17,340)	(14,144)	(4,293)
Cash outflow / (inflow) from movement in debt financing	1,140	(2,765)	(181)
Cash outflow from movement in lease financing	242	225	472
Movement in net debt arising from cash flows	(15,958)	(16,684)	(4,002)
Other non-cash changes	(14)	63	(246)
Debt acquired with subsidiary	-	-	(498)
Net debt brought forward	(14,562)	(9,816)	(9,816)
Net debt carried forward	(30,534)	(26,437)	(14,562)

Other non-cash changes in the current period relate solely to the effect of foreign exchange rate movements and in prior periods also to movements in interest accruing on loan notes in connection with elements of the consideration payable for acquisitions of subsidiary undertakings (all such loan notes were redeemed prior to April 2008).

11. Analysis of net debt

£000's	Unaudited		Audited
	31 October 2008	31 October 2007	30 April 2008
Cash at bank	501	1,879	3,175
Bank overdrafts	(21,188)	(15,106)	(6,506)
Cash and cash equivalents	(20,687)	(13,227)	(3,331)
Debt due within one year	(3,032)	(12,307)	(2,783)
Debt due after more than one year	(6,218)	-	(7,609)
Finance leases	(597)	(903)	(839)
Net debt	(30,534)	(26,437)	(14,562)