



**Making food
extraordinary**

TATE & LYLE

Annual Report 2017



Tate & Lyle is a global provider of ingredients and solutions

We work with our customers to make
food healthier and tastier, creating
extraordinary food for consumers

Meeting
global
demand for
healthier
food

Investing in
higher-
growth
markets

Driving
innovation
and new
products

Delivering
high-quality
ingredients
at scale

Year of strong financial, operational and cash performance

Year ended 31 March 2017

Change

Adjusted profit before tax on continuing operations¹

£271m **+20%**²

Reported basic earnings per share for continuing operations

55.0p **+28.9p**

Adjusted free cash flow from continuing operations¹

£174m **+£121m**

Dividend for the year per share

28.0p

¹ Adjusted results and a number of other terms and performance measures used in this Annual Report are not directly defined within accounting standards. For clarity we have provided descriptions of the various metrics and their reconciliations to the most directly comparable measures reported in IFRS, and the calculations where relevant of any ratios, in Notes 1 and 4.

² Change in constant currency.

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Trademarks

SPLENDA® and the SPLENDA® logo are trademarks of Heartland Consumer Products LLC.

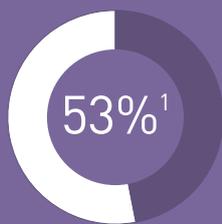
Definitions/cautionary statement

Please see the explanatory notes on the inside back cover.

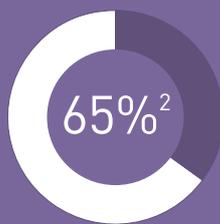
Meeting global demand for healthier food

Consumers across the world are looking for healthier foods and drinks

Our wide range of ingredients and solutions helps to enrich foods with fibre, to reduce sugar, calories and fat, and to improve texture while never compromising taste.



of consumers look for foods high in fibre



of consumers look for calorie information on a package label

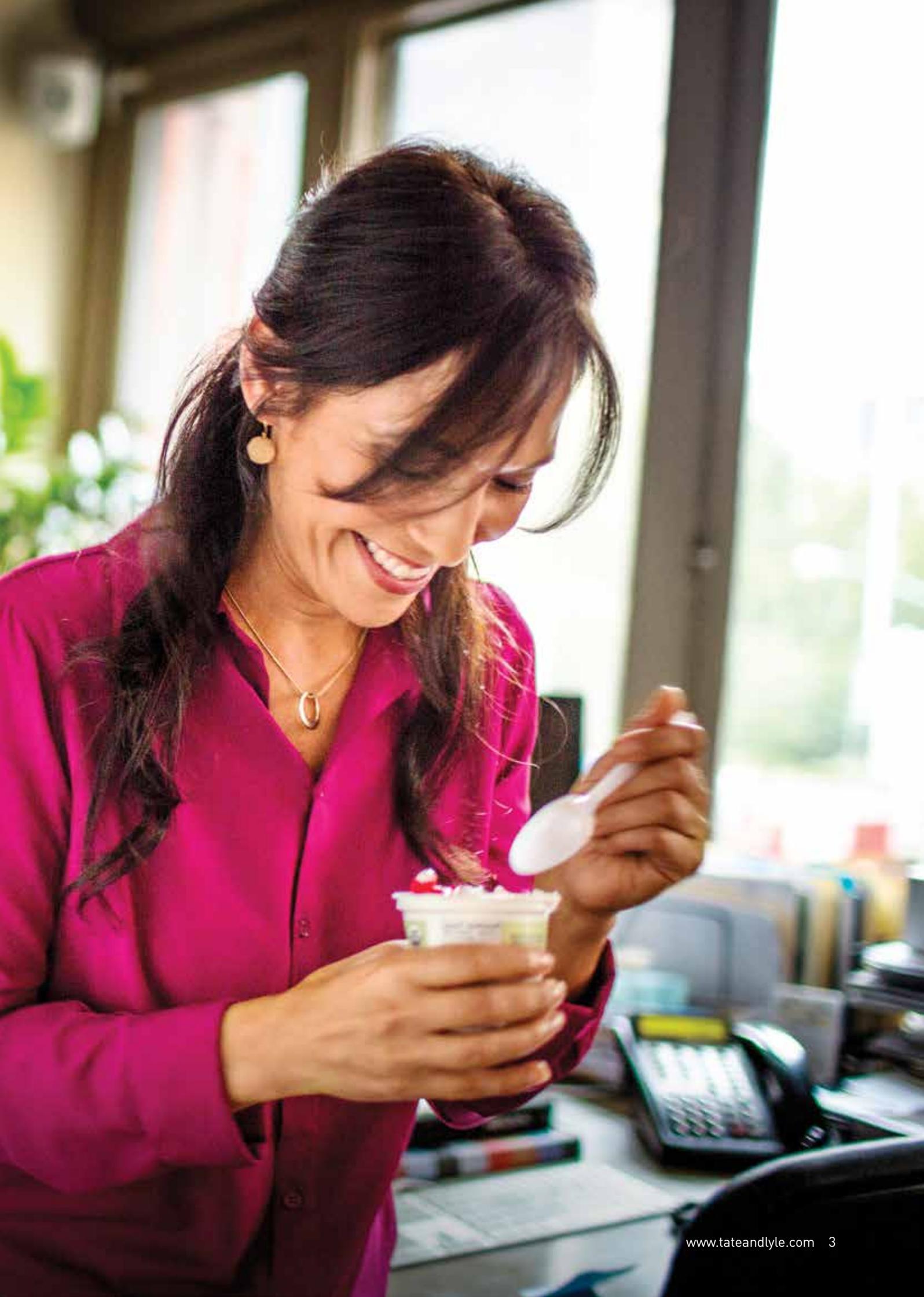


of consumers say taste is their top purchasing motivator

1 Tate & Lyle multi-country consumer research 2015.

2 FoodMinds (US), 2014.

3 Nielsen and Mintel consulting (US) 2013.



Investing in higher-growth markets

Strong opportunities for growth in developing, faster-paced markets

We continue to invest in higher-growth markets such as Asia Pacific and Latin America. We have built a network of applications laboratories and added sales and technical service resources, to enable us to work with our customers to help them launch new products, and reformulate existing products, in their local markets.

11%¹

Growth in yoghurt in Asia Pacific

5%¹

Growth in soups, sauces and dressings in Asia Pacific

6%¹

Growth in sports and energy drinks in Latin America



¹ Euromonitor 2014-2016 Compound Annual Growth Rates (market growth – total volume).



Driving innovation and new products

Using leading-edge science to create food for modern-day life

People all over the world are looking for healthier foods and drinks which fit into their busy lifestyles — from reduced-sugar drinkable yoghurts to creamy dressings with a fraction of the fat. Our teams of food scientists and nutritionists are continuously researching and testing ingredients to create solutions which allow our customers to provide the nutritious, great-tasting foods people want.



13%¹

Growth in products launched globally with a clean-label claim

15%¹

Growth in products launched globally with a sugar reduction claim

59²

New patents granted globally to Tate & Lyle in the year ended 31 March 2017

¹ Innova Market Insights 2013-2016 Compound Annual Growth Rates.

² A granted patent means a single patent granted in one country. Data includes patent applications where we have received a Notice of Allowance from a national patent office and the patent is in the final stages of the grant process.



Delivering high-quality ingredients at scale

Our ingredients are used in products consumed by millions of people every day

Our Bulk Ingredients business provides high-volume food ingredients and industrial products to customers who operate on a large scale. Maintaining the highest standards of food safety, quality and traceability of our ingredients, and of responsible manufacturing, is of the utmost importance to us and our customers.



1.4m

We process around 2% or about 1.4 million acres of the annual corn crop in the US

'A' rating

BRC (Global Food Safety Initiative) has rated our manufacturing plants globally 'A' or 'AA'

10.4%

Reduction in CO₂e emissions per tonne of production since 2008



Our business...

Our business divisions



Speciality Food Ingredients

Growth engine



Overview

Develops innovative ingredients and solutions for customers globally that meet consumer demand for great tasting, healthier food and drink.

Portfolio includes:

- **Texturants** which provide key functionality such as thickening, shelf stability and fat reduction
- **Sweeteners** which help reduce sugar and calories
- **Health and wellness** ingredients including fibres and proteins

Read more on pages 16, 17 and 26 to 28

Strategic positioning

- Leading positions in attractive markets
- Strong expertise in categories such as dairy, beverages and soups, sauces and dressings
- Broad product portfolio and geographical diversification
- Strong innovation focus
- Growing customer base



Bulk Ingredients

Steady earnings and cash generation



Overview

Provides high volume food ingredients and industrial products primarily for customers in the North American market.

Main product lines are:

- **Bulk sweeteners** for food and beverages
- **Industrial starches** for paper and construction industries
- **Acidulants** to enhance flavour and preserve foods, beverages and pharmaceuticals

Read more on pages 16, 17, 30 and 31

Strategic positioning

- Focus on relatively more stable North American market
- Strong market positions
- Integrated, scale and efficient assets
- Long-standing customer relationships

Our business divisions are supported by two global teams



Innovation and Commercial Development

Innovation and Commercial Development manages the innovation pipeline and is responsible for new product development. It connects consumer needs with leading-edge science to provide innovative ingredients and solutions which our customers use to meet growing global consumer demand for healthier food and drink.

Read more on page 29



Global Operations

Global Operations delivers high-quality products to our customers across the world. It is responsible for the efficient operation of our manufacturing facilities, supply and demand planning, raw material sourcing, customer service and logistics, safety, sustainability, and the continuous improvement of our operations.

Read more on page 32



...delivering strong performance

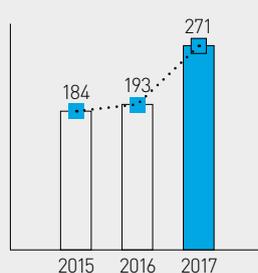
Financial summary

| Year ended 31 March 2017 (continuing operations, £m unless stated otherwise) | Statutory results | | | Adjusted results ¹ | | |
|---|-------------------|-------|--------|-------------------------------|-------|-----------------------------|
| | 2017 | 2016 | change | 2017 | 2016 | change in constant currency |
| Sales | 2 753 | 2 355 | 17% | | | |
| Profit before tax | 233 | 126 | 85% | 271 | 193 | 20% |
| Diluted earnings per share | 54.2p | 25.9p | 109% | 47.1p | 34.5p | 16% |
| Net debt | 452 | 434 | | | | |
| Dividend for the year per share | 28.0p | 28.0p | | | | |

Continuing operations¹

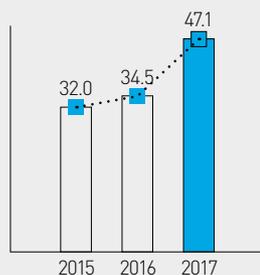
Adjusted profit before tax (£m)

£271m



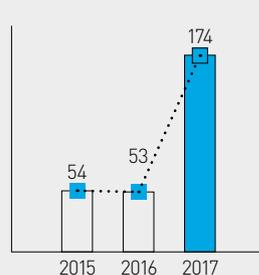
Adjusted diluted earnings per share (pence)

47.1p



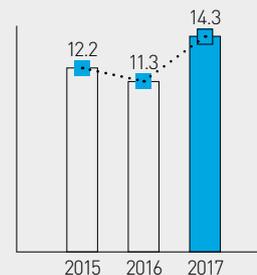
Adjusted free cash flow (£m)

£174m



Return on capital employed (%)

14.3%



¹ Adjusted results and a number of other terms and performance measures used in this Annual Report are not directly defined within accounting standards. For clarity we have provided descriptions of the various metrics and their reconciliations to the most directly comparable measures reported in IFRS, and the calculations where relevant of any ratios, in Notes 1 and 4.

A year of excellent progress

Tate & Lyle delivered a strong performance with impressive financial results

I am delighted to be making my first annual statement to you following my appointment as Chairman of Tate & Lyle from 1 April 2017.

I am passionate about food, having started my career as a food scientist, and have remained close to the industry ever since. My path has crossed Tate & Lyle's on several occasions during my career and I am very excited to join a company that I have long admired for its strong heritage, values and expertise.

I am honoured to succeed Sir Peter Gershon who retired on 31 March 2017 after serving on the Board for eight years. I would like to thank him sincerely for his outstanding service and significant contribution to Tate & Lyle during his tenure. Peter leaves the Company in great shape, performing well with a clear strategy and strong governance.

I look forward to working with the Board and the executive team to realise Tate & Lyle's potential for development, growth and value creation for shareholders.

Delivering for shareholders

I am pleased to report that Tate & Lyle delivered excellent performance in the year ended 31 March 2017 with profits and earnings per share both well ahead of the prior year. Cash generation was particularly strong and the balance sheet remains robust, providing flexibility to support future growth whilst maintaining dividend distribution to shareholders.

The Board recognises the importance to our shareholders not only of the dividend, but also of its sustainability, and the need to re-build cash dividend cover over time. Accordingly, the Board recommends an unchanged final dividend for the year ended 31 March 2017 of 19.8p to make an unchanged total for the year of 28.0p. Looking to the future, as dividend cover is re-built, we remain committed to a progressive policy of growing the dividend over time, taking into account the earnings prospects and investment needs of the business.



Dr Gerry Murphy, Chairman

Delivering responsibly

Tate & Lyle is committed to achieving strong performance for shareholders whilst maintaining a sharp and relentless focus on the safety and sustainability of our business.

In January, we launched an extensive Group-wide review of all our safety processes and procedures, supported by an independent external expert consultancy with deep experience in global safety assessments. This follows an industrial accident at one of our grain elevators in the US, in September 2016, when sadly one of our employees and a local farmer died. A number of significant management actions have already been implemented in our US grain elevator network to strengthen safety processes, further explained in the Corporate Responsibility section on page 44.

We expect the external review will conclude in the first half of the current financial year. The Board and the executive team will work together to ensure that the review's findings are carefully considered and recommended actions implemented comprehensively and with urgency. Our ultimate goal remains to have no accidents and no injuries and this incident has made us all the more determined to build a safer Tate & Lyle for all our employees, contractors and visitors. There is no higher priority in the Group.

Four years ago, Tate & Lyle set itself ambitious sustainability targets to reduce the environmental impact of the business. We achieved our targets for packaging and sustainable agriculture and at the end of March 2017 we had exceeded our 2016 CO₂e emissions target. We also achieved a leadership position of A- in the CDP (formerly the Carbon Disclosure Project). Building on these achievements, we have set ourselves new stretching targets for 2020 (full details on page 48).

Our commitment to the United Nations (UN) Sustainable Development Goals (SDG) remains a key part of our sustainability agenda. A key objective for the year ahead is the acceleration of our progress towards the UN SDG targets.

I look forward to working with the Board and the executive team to realise Tate & Lyle's potential for development, growth and value creation for shareholders.

Summary

Tate & Lyle has performed well this year and I would like to thank our management team and employees for all the hard work, dedication and skill essential to this success. Since my appointment to the Board, I have already visited a number of the Group's facilities in North America and Europe and look forward to seeing some of our sites in Asia and Latin America in the coming months. I have been impressed by the unwavering passion, enthusiasm and commitment of all the colleagues I have met. Like many global businesses, we are facing an evolving and challenging geopolitical landscape, but we do so with confidence as a strong and financially solid company. I am excited about Tate & Lyle's future. With our clear strategy, strong product portfolio and outstanding people, we are well-positioned for continuing and sustainable growth.

Gerry Murphy Chairman

24 May 2017

Governance and Board composition

There have been a number of changes to the Board since the last AGM. I joined the Board on 1 January 2017, succeeding Sir Peter Gershon as Chairman on 1 April 2017. Liz Airey retired as Senior Independent Director on 31 December 2016 and, after 10 years of service, will retire from the Board at the AGM in July 2017. Douglas Hurt assumed the role of Senior Independent Director from 1 January 2017, in addition to his role as chairman of the Audit Committee. William Camp stepped down as a Non-Executive Director and chairman of the Corporate Responsibility Committee on 31 March 2017, having served on the Board since 2010. On behalf of the Board, I would like to thank both Liz and William for their outstanding service and significant contribution both to the Board and to Tate & Lyle.

In October 2016, Jeanne Johns joined the Board as a Non-Executive Director. Jeanne assumed chairmanship of the Corporate Responsibility Committee on 1 April 2017 and is also a member of the Nominations and Remuneration Committees. During her 30-year career in the oil industry with BP, Jeanne held numerous leadership roles in Europe, the US and China and latterly served as the Head of Safety and Operational Risk for BP's global downstream business.

Investment case

We focus our business...



Speciality Food Ingredients

- Grow on average modestly ahead of the market
- Margin expansion over time
- Broaden geographic sales mix
- US\$200 million sales from New Products by 2020



Bulk Ingredients

- Core business to provide steady earnings through product line focus, efficiency and continuous improvement
- Dampen volatility in Commodities

...to deliver results...

Grow earnings

Improve cash flow

Rigorous capital allocation

...and create value for shareholders

Attractive dividend with growing cash cover

Strong balance sheet

A business increasingly focused on Speciality Food Ingredients

Delivering on our strategic objectives

We continue to perform well and to build a stronger business



Javed Ahmed, Chief Executive

Key highlights

- Strong Group financial and operational performance
- Bulk Ingredients delivered particularly good results
- Speciality Food Ingredients performed well, with continued New Products growth but a significant decline in Food Systems
- Strong balance sheet and cash generation
- Improving dividend cover
- Continued progress towards 2020 Ambition

Overview of Group performance

Tate & Lyle delivered a strong performance in the year. Both business divisions delivered profit growth with Bulk Ingredients delivering particularly good results, driven by excellent commercial execution and solid manufacturing performance.

Adjusted profit before tax increased by 40% (20% in constant currency) to £271 million. Movements in foreign currencies, especially the strength of the US dollar against sterling, increased adjusted profit before tax by £40 million.

Speciality Food Ingredients performed well with adjusted profit up 21% (5% in constant currency) at £181 million. The business, excluding SPLENDA® Sucralose and Food Systems, delivered an increase in adjusted operating profit of 8% in constant currency,

with volume growth in all regions except North America where growth remained challenging. SPLENDA® Sucralose's adjusted operating profit was £30 million higher as it benefited from lower costs from a single production facility and a one-off inventory sell-down. Food Systems' adjusted operating profit was £19 million lower with a significant decline in Europe where sales were constrained by a consolidation of our blending sites, which took longer than expected, and a credit issue which restricted access to the Russian market.

Sales of New Products, which represent products in the first seven years after launch, grew by 22% in the year. Sales from New Products have grown by a compound average growth rate of 43% over the past five years.

Bulk Ingredients had a particularly strong year with adjusted operating profit increasing by 54% (32% in constant currency) at £129 million. This performance was driven by strong commercial execution, good US bulk sweetener demand, robust margins, and solid manufacturing performance across the plant network. The relatively well-balanced North American corn wet milling industry also benefited the business.

Our joint-venture businesses performed well with profits 16% higher at £32 million.

Adjusted diluted earnings per share from continuing operations increased by 37% (16% in constant currency) to 47.1p.

Chief Executive's Review continued

Cash generation during the year was excellent. Adjusted free cash flow was more than three times higher than the prior year, and more than covered the dividend. Net debt was £18 million higher at £452 million, with a £57 million adverse impact from foreign exchange translation offsetting the strong free cash flow generation.

Overall, the Group's performance in the year was extremely encouraging. With both divisions performing well, higher operating margins, and a robust balance sheet, the Group is well positioned for the future.

Strategic progress

We have a clear corporate strategy which we have executed against in a disciplined way since the 2011 financial year – to focus on growing Speciality Food Ingredients supported by steady earnings from Bulk Ingredients. During the year we continued to make good progress against this strategy.

Consumers across the world are increasingly looking for healthier nutrition, particularly given the rising incidence of obesity and diabetes worldwide. Our Speciality Food Ingredients business is well-placed to help our customers meet these demands, as our ingredients help to reduce sugar, calories and fat, and also to add fibre, in consumer products.

We are steadily bringing new products to market to address these consumer trends, both through in-house innovation and by establishing strategic partnerships. During the year, we expanded our range of texturants with the launch of CLARIA® Bliss, a clean-label starch which provides great taste and texture to products such as dairy desserts and chilled ready meals. We also developed our sweetener range with a new crystalline version of DOLCIA PRIMA® Allulose, a rare sugar with a similar taste and texture to sucrose but only a very small fraction of the calories. Overall, we invested £37 million in research and development in the year, an increase of £8 million, part of which was driven by foreign currency translation.

In March 2017, we announced an exclusive partnership with Sweet Green Fields, one of the largest fully integrated global stevia players, to distribute their innovative stevia ingredients, and bring their leading stevia-based sweetening solutions to our customers worldwide. Early customer interest in our expanded stevia offering has been encouraging.

We continue to see strong growth in emerging markets. During the year, we increased our applications and technical service resources in Latin America and Asia Pacific, and our sales and applications resources in the Middle East.

Our vision and strategy

Our vision is to become a leading global provider of speciality food ingredients and solutions.

Our strategy is to deliver this vision through:

- A disciplined focus on growing our Speciality Food Ingredients business
 - deeper customer engagement
 - continuous innovation
 - stronger positions in higher-growth markets
- Driving Bulk Ingredients for sustained cash generation to fuel this growth.

Marketplace

The markets we operate in



Speciality Food Ingredients

Ingredients and solutions which add specific functionality and value to customers' products

The global market for speciality food ingredients is large and growing.

Size

c.US\$51bn¹

Annual growth

c.4-5%²

We focus on three areas of this market.

- **Sweeteners**
Products include high intensity sweeteners (e.g. SPLENDA® Sucralose) and speciality sweeteners (e.g. KRYSTAR® Crystalline Fructose, DOLCIA PRIMA® Allulose).
- **Texturants**
Products include corn-based starches (e.g. REZISTA®), clean-label starches (e.g. CLARIA®) and our range of stabiliser systems.
- **Health and wellness**
Products include dietary fibres (e.g. PROMITOR® Soluble Fibre, PromOat® Beta Glucan, STA-LITE® Polydextrose), and oat protein.

¹ IHS 2014; Speciality Chemicals update Program: Food Additives; Leatherhead 2014: The Global Food Additives Market; and other sources.

² Leatherhead; LMC International; Company analysis; data as at 2013, five year CAGR 2009-2013.



Bulk Ingredients

High volume ingredients which are largely undifferentiated and compete primarily on price

Bulk Ingredients primarily serves the North American market.

% of Bulk Ingredients profit from North America

>90%

Driving efficient operations

We manage Bulk Ingredients for steady earnings. In the mature markets this division operates in, we aim to deliver this by:

- optimising product mix and margins
- maintaining capital expenditure discipline
- continuously driving productivity and efficiency
- maintaining a mix of tolling and non-tolling contracts
- reducing exposure to commodity markets where we can, by dampening volatility by using conservative hedging strategies; actively managing co-product sales; and investing in the corn elevator storage network to secure raw material supply.

Global consumer trends

The market for speciality food ingredients is being driven by a number of global consumer trends.

Healthier

With obesity and diabetes on the rise worldwide, consumers are looking to reduce calories, sugar and fat, while also adding beneficial ingredients to food and drink such as fibre and protein.

'Clean-label'

Consumers want to understand the ingredients on food and drink labels. Increasingly, they are choosing products with labels with ingredients that they feel are less processed, or they perceive to be simpler or 'natural'.

'Free from'

Intolerance to certain ingredients is leading to increased demand for allergen-free foods such as gluten-free and dairy-free.

'On the go'

People have busy lives and sometimes convenience can come at the cost of healthy nutrition. Consumers are demanding food and drink that offers fast, 'grab-and-go' nutrition, but which also makes it easier to make healthier choices.



Meeting consumer demand

Our ingredients and solutions help our customers meet growing consumer demand for healthier food and drink. We leverage our deep technical expertise and understanding of categories such as dairy and beverages to provide our customers with the solutions they need.

Sugar and calorie reduction

Through our wide portfolio of speciality sweeteners and fibres, we create solutions that reduce sugar and calories without compromising the sweetness and texture consumers want.

Enrichment

Our diverse portfolio of fibres offers a range of nutritional and functional benefits – from fibre enrichment to sugar and calorie reduction – while delivering exceptional digestive tolerance.

Texture

Our range of starches provides key functionality for foods such as thickening, shelf-stability and fat reduction, while still providing the texture consumers want.

Stabilisation

Through our in-depth knowledge of ingredients and complex food systems, we create customised stabiliser systems (highly functional ingredient blends) that ensure products maintain stability and appetising texture throughout their shelf life.

Main product lines

Bulk Ingredients main product lines largely serve mature and consolidated markets.

Bulk sweeteners

Bulk sweeteners provide sweetness and mouthfeel to regular carbonated soft drinks, confectionery and other foods and drinks.

Industrial starches

Industrial starches strengthen and improve the surface conditions of paper and cardboard and are also used in adhesives for building products.

Acidulants

Acidulants are used mainly to enhance flavour and preserve foods, beverages and pharmaceuticals.

Commodities

Commodities include co-products such as corn gluten meal and corn gluten feed (sold mainly as animal feed) and corn oil.

We also produce some ethanol at our Loudon, Tennessee facility as a means of optimising the production balance and efficiency.



Key market factors

Industry capacity utilisation

Our bulk ingredients are produced mainly at four large corn wet mills in the US and two smaller mills in Europe. Supply/demand balance is a key driver of profitability in the US corn wet milling industry and the industry was well balanced in the year.

Corn market

The US corn wet milling industry processes around 10% of the US corn crop. Recent harvests have been strong with corn inventory high and prices relatively low and stable. Corn is largely a pass-through cost.

Carbonated soft drinks

Demand in the US for regular carbonated soft drinks, the main end-market for our bulk sweeteners, declined by 0.7%¹ in the year.

Re-deploying capacity

We seek to manage the long-term gradual decline in demand for our bulk ingredients by steadily re-deploying primary capacity in our corn wet mills to support growth in Speciality Food Ingredients.

¹ Source: IRI, Total US – Multi Outlet and Convenience Stores.

Chief Executive's Review continued

We are also in the process of more than doubling the size of our applications laboratory in Singapore. This facility will provide customers with access to more sophisticated analytical equipment and services, including pilot-plant scale food-processing equipment, to enable them to perform product trials on site.

Significant benefits have been realised from the re-alignment of the SPLENDA® Sucralose business we undertook in the prior year. The implementation of a rigorous value-based approach to securing volume, and the consolidation of production into a single facility in Alabama, US, has helped to increase profitability and position sucralose as a more focused, low-cost and sustainable business. During the year, we also celebrated the 40th anniversary of the discovery of sucralose. This ingredient has helped to reshape the global sweetener landscape by enabling our customers to create a wide range of great-tasting, low-calorie foods and beverages for consumers. Since its discovery in 1976, the amount of SPLENDA® Sucralose produced by Tate & Lyle has been enough to replace over 19 million tonnes of sugar in the human diet, which is the equivalent of removing 77 trillion calories from consumers' diets globally.

Food Systems had a challenging year as we worked through some key changes. In Europe, we consolidated our blending facilities from three sites to two to lower our cost base going forward. We also refocused our site in Germany on applications and solutions development for customers. In China, we decided to simplify our go-to-market approach by selling our interest in Jiangsu Tate & Lyle Howbetter Food Co., Ltd. back to our partner. Together, these actions will allow Food Systems to serve its customers better and re-position the business for future growth.

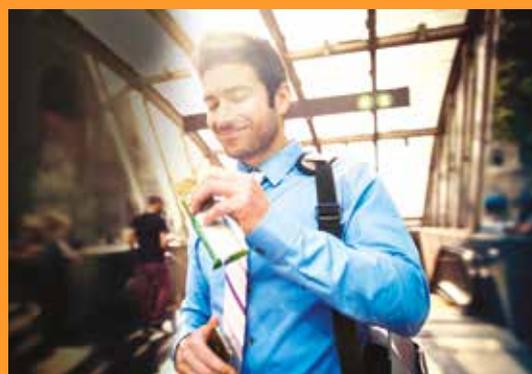
Bulk Ingredients had a very strong year. The decision and steps taken in 2015 to re-align our European business and focus Bulk Ingredients predominantly on the relatively more stable North American market have served us well. Our objective is for Bulk Ingredients to deliver steady earnings from the core business and to dampen volatility in Commodities, and we continue to take the necessary actions to prosecute this strategy. We have evolved our operating model to provide a greater focus on product mix and margin management, and we remain focused on tight cost control. We continue to invest in our plant network for long-term efficiency gains, and to drive productivity across our broader supply chain network.

Progress against 2020 Ambition

In November 2015, we communicated our 2020 Ambition to further strengthen our business with three key outcomes. Our progress against this ambition is set out opposite. By way of summary:

- 54% of the Group's adjusted operating profit came from Speciality Food Ingredients. While profits from Speciality Food Ingredients are growing broadly in line with our expectations, profits from Bulk Ingredients are well ahead of our expectations. The very strong performance by Bulk Ingredients in the year has resulted in the overall percentage of profits from Speciality Food Ingredients being lower than last year.
- Speciality Food Ingredients sales from Asia Pacific and Latin America grew by 6% in constant currency and have increased to 23% of the core business's sales.
- We continue to see good momentum from New Products with sales of US\$105 million, 22% higher than last year.

2020 Ambition



Mix of Group profits

70%

from Speciality Food Ingredients

Adjusted operating profit¹



¹ Speciality Food Ingredients (SFI) profit includes SFI share of profit after tax of joint ventures and associates. Group profit is before Central costs and interest, but includes share of profit after tax of joint ventures and associates.

Progress in year ended 31 March 2017

Mix of Group profits

54%

- Adjusted operating profit of Speciality Food Ingredients increased by 5% in constant currency in the year.
- However, exceptionally strong profit growth from Bulk Ingredients (32% higher in constant currency) meant that Speciality Food Ingredients profits were 54% of Group profits, down from 60% last year.

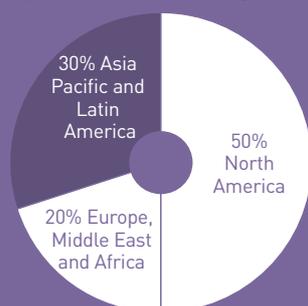


Broaden geographic mix of Speciality Food Ingredients sales²

30%

from Asia Pacific and Latin America

Speciality Food Ingredients sales



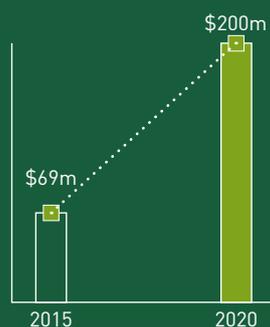
² Percentage of sales excluding SPLENDA® Sucralose and Food Systems.



Increase sales from New Products³ to

US\$200m

New Products sales



³ New Products are products in the first seven years after launch.

Progress in year ended 31 March 2017

Geographic mix of Speciality Food Ingredients sales

23%

- Sales in Asia Pacific and Latin America grew by 6% in constant currency in the year.
- Sales in these two regions represented 23% of Speciality Food Ingredients core business's sales, up from 21% last year.

Progress in year ended 31 March 2017

Sales from New Products

US\$105m

- Sales from New Products grew by 22% in the year or by US\$19 million to US\$105 million.
- Good growth was delivered across all three platforms of texturants, sweeteners and health and wellness.

Chief Executive's Review continued

I remain very encouraged by our progress as we continue to build a stronger business with higher-quality earnings.

Safety

As reported in our half-year results announcement, we have launched an extensive Group-wide review of our safety processes and procedures, supported by an independent external expert consultancy with deep experience in global safety assessments. This follows an industrial accident at one of our grain elevators in the US in September 2016 when sadly one of our employees and a local farmer died. We expect the review will conclude in the first half of the 2018 financial year.

For the 2016 calendar year, in relation to our two main safety-related key performance indicators, the Recordable Incident rate remained at 0.76 and the Lost-work Case rate improved from 0.16 to 0.11. Fatalities are recorded separately and are not included in these rates.

People

Our employees across Tate & Lyle bring a huge amount of energy and passion to work every day, and I would like to thank them for their hard work and dedication. Our strong performance this year is a testament to the talent and the commitment of our people and I look forward to working with them in the next financial year as we continue to execute our strategy.

Outlook

Turning to the outlook, we are confident the Group will continue to make underlying progress in the 2018 financial year.

Summary

Overall, our results for the 2017 financial year reflect strong delivery against our strategy and towards our 2020 Ambition. I remain very encouraged by our progress, as we continue to build a stronger business with higher-quality earnings, capable of delivering sustainable long-term growth.

Javed Ahmed Chief Executive

24 May 2017

Executive Committee

Responsible for delivering our strategy and achieving business results



Javed Ahmed

Chief Executive

Javed joined Tate & Lyle as Chief Executive in October 2009. He brought extensive international experience from a wide variety of senior management roles at Reckitt Benckiser plc in North America, Europe, Australia and New Zealand. He also worked for Procter & Gamble and Bain & Co. prior to joining Reckitt Benckiser.



Nick Hampton

Chief Financial Officer

Nick joined Tate & Lyle as Chief Financial Officer in September 2014. He held a number of senior roles over a 20-year career at PepsiCo, including as PepsiCo's CFO Europe; President, West Europe Region; and Senior Vice President Commercial, Europe.



Jim Stutelberg

President, Bulk Ingredients

Jim joined Tate & Lyle in 2014 from Pennsylvania-based PPG Industries Inc. where he led its Americas Automotive Coatings business. Prior to that, he spent 16 years with Dow Corning Corporation in a variety of senior marketing, sales and general management roles, including five years working in Shanghai, China.



Joan Braca

President, Speciality Food Ingredients

Joan joined Tate & Lyle in 2013 as Senior Vice President and General Manager, Asia Pacific. She was then appointed President, Speciality Food Ingredients from November 2014. Prior to joining Tate & Lyle, Joan spent nearly 20 years with Rohm and Haas Company in a variety of operational and general management roles in the US, Europe and Asia Pacific.



Pierre Schoumacher

President, Global Operations

Pierre joined Tate & Lyle in 2000 from Procter & Gamble. During his career at Tate & Lyle he has held a number of senior operational and commercial roles, and was appointed President, Global Operations, in November 2014.



Rowan Adams

Executive Vice President, Corporate Affairs

Rowan joined Tate & Lyle in 2001 from National Westminster Bank. During his career at Tate & Lyle he has held a number of senior roles and was appointed Executive Vice President, Corporate Affairs in November 2014 with global responsibility for public affairs, communications and risk.



Robert Gibber

Executive Vice President, General Counsel

Rob joined Tate & Lyle in 1990 as a commercial lawyer having started his career in private practice. He was appointed General Counsel in 1997 and was Company Secretary between 2001 and 2012. Rob has global responsibility for legal, regulatory affairs and quality.



Rob Luijten

Executive Vice President, Human Resources

Rob joined Tate & Lyle as Executive Vice President, Human Resources in 2010. Prior to joining Tate & Lyle, he was Human Resources Director for Africa, Middle East and Asia for BG Group PLC. He also spent ten years with GE Plastics in a number of senior human resources roles in both Europe and Asia.

Business Model

How our business works

Our business model is evolving as we implement our strategy to grow Speciality Food Ingredients supported by steady earnings from Bulk Ingredients. As we deliver this strategy, we are becoming an increasingly customer-focused and innovation-driven business supported by a strong manufacturing base.

How we create value

Our ingredients and solutions are valuable because they are highly functional. They help to reduce sugar, calories and fat, as well as add taste, texture and nutrition to products consumed by millions of people every day. The revenue from the sale of our ingredients and solutions generates cash flow which, after meeting our costs, helps fund business investments, meet our debt obligations, and provide returns to shareholders through dividends.



What drives us

Our goal is to deliver sweet taste, texture, fibre enrichment and stabilisation in food and drink, focusing on sugar, calorie and fat reduction. To do this, we focus our resources and investments on those categories which have strong growth potential, where we have strong functional expertise, and where we have the potential to steadily build our competitive advantage over time. These categories include beverages, dairy and soups, sauces and dressings. Our speciality food ingredients and solutions are highly relevant because they help meet growing consumer, customer and societal needs for healthier food and drink in the face of growing global levels of obesity and diabetes, and digestive health issues.

What makes us different

We have a number of strengths which, in combination, differentiate us in the market.

Leading functional expertise

We have strong technical expertise in the cross-section of sweetness, texture and fibre enrichment, through our leading portfolio of sweeteners, highly functional speciality starches, and fibres with specific nutritional and health benefits.

Deep category understanding

Through our teams of food scientists, nutritionists and other experts, we have an increasingly deep understanding globally and locally of the categories we focus on such as beverages, dairy and soups, sauces and dressings.

Delivering tailored solutions

The combination of our strong innovation pipeline and the blending expertise of our Food Systems business, enables us to deliver tailored solutions for our customers which meet growing consumer demand for healthier food and drink.

Global manufacturing base

Our scale manufacturing base and know-how enables us to drive operational efficiencies and a high level of product quality. They also provide a cost effective supply of ingredients for distribution through our global supply chain.

Clear focus for bulk business

A key driver of our success is our clear focus on delivering steady earnings from the large businesses within Bulk Ingredients – bulk sweeteners, industrial starches and acidulants. The cash they generate is used to fuel growth in Speciality Food Ingredients.

Talented people

Our people are passionate, dedicated and highly skilled. We invest in training and developing our employees and also recruit high-calibre talent to ensure we have the right people, teams and skills to grow our business.

What underpins our business

Safety

We have no higher priority than the safety of our people and have an extensive safety management programme in place. We measure safety performance at every site monthly.

[Read more on page 44](#)

Values

Our Values define what we stand for and how we behave with our customers, suppliers, investors, partners, the communities in which we operate, and each other.

[Read more on page 42](#)

Board oversight

The Board of Directors oversees the activities of the Group through regular meetings, its four committees and visits to our operations around the globe.

[Read more on page 57](#)

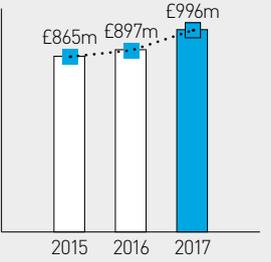
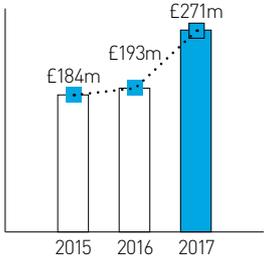
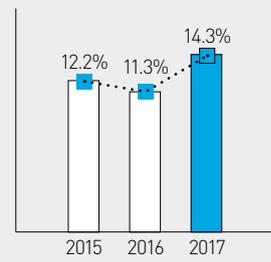
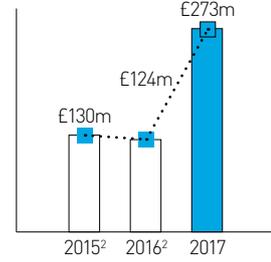
Key Performance Indicators

Measuring progress

Delivering our strategy

We focus on a number of financial performance measures to ensure our strategy successfully delivers increased value for our shareholders.

 Read more on pages 15 to 20

| <h3>Sales of Speciality Food Ingredients</h3> <p>-3% in constant currency</p>  | <h3>Adjusted profit before tax¹</h3> <p>+20% in constant currency</p>  | <h3>Return on capital employed¹</h3> <p>+300 bps</p>  | <h3>Adjusted operating cash flow¹</h3> <p>+120%</p>  |
|--|--|--|---|
| <h3>How we calculate it</h3> | | | |
| <p>As reported, continuing operations only.</p> | <p>As reported, continuing operations only.</p> | <p>The percentage return of the Group's earnings from continuing operations on its invested capital.</p> | <p>Adjusted cash flow from continuing operations excluding the impact of exceptional items, pensions, derivative financial instruments, tax, interest and acquisitions, less capital expenditure.</p> |
| <h3>Why we measure it</h3> | | | |
| <ul style="list-style-type: none"> To ensure we are successful in growing the division. The Group has concluded that change in volume (in metric tonnes) of Speciality Food Ingredients is a more effective measure of growth and will adopt this measure from the 2018 financial year. (See also Directors' Remuneration Report). | <ul style="list-style-type: none"> To track the underlying performance of the business and to ensure sales growth translates into increased profits. | <ul style="list-style-type: none"> To ensure that we continue to generate a strong rate of return on the assets that we employ and have a disciplined approach to capital investment. Performance metric for the Performance Share Plan. | <ul style="list-style-type: none"> To track how efficient we are in turning increased profit into cash and to ensure that working capital is managed effectively. |
| <h3>Comments</h3> | | | |
| <p>Sales were 3% lower overall in Speciality Food Ingredients, driven by growth in the core business in the Europe, Middle East and Africa, and Asia Pacific and Latin America regions, offset by continuing weakness in the North American core business. Sales in Food Systems declined with volume lower. As planned, sales and volume were lower in SLENDA® Sucralose where production capacity was reduced.</p> | <p>Adjusted profit before tax was 40% higher in reported currency and 20% higher in constant currency. Adjusted operating profit in Speciality Food Ingredients grew 5% in constant currency, and in Bulk Ingredients was 32% higher in constant currency. Central costs were flat, while adjusted net finance expenses increased by £2 million. The Group's share of profit after tax of joint ventures and associates increased by 13% in constant currency.</p> | <p>The return generated on capital employed increased during the year driven by higher earnings. The return on capital employed remains well ahead of our weighted average cost of capital.</p> | <p>Adjusted operating cash flow increased to £273 million, fully covering the full-year dividend on a cash basis.</p> |

¹ Adjusted results and a number of other terms and performance measures used in this Annual Report are not defined within accounting standards. For clarity we have provided descriptions of the various metrics and their reconciliations to the most directly comparable measures reported in IFRS, and the calculations where relevant of any ratios, in Notes 1 and 4.

² Restated to reflect exclusion of operating post-retirement benefit costs.

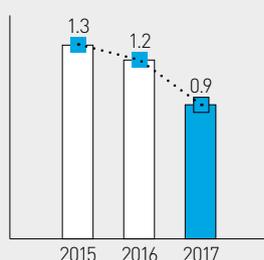
Maintaining financial flexibility

We look at measures of financial strength to ensure we have the flexibility to grow the business whilst maintaining investment grade credit ratings.

Read more on pages 33 to 37

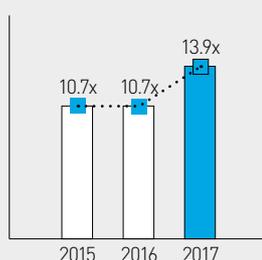
Net debt to EBITDA multiple^{1,3}

decreased 0.3x



Interest cover^{1,3}

increased 3.2x



The number of times the Group's net borrowing exceeds its earnings.

The number of times the Group's earnings exceed interest payments made to service its debt.

- To ensure that we have the appropriate level of financial gearing and that we generate sufficient profits to service our debt. These measures are a key focus for banks and providers of both debt and equity capital.

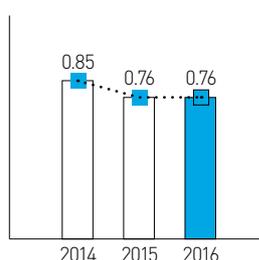
The net debt to EBITDA ratio reduced to 0.9 times. Cash flow generation was strong although net debt increased with an adverse impact of foreign exchange translation offsetting strong free cash flow generation. EBITDA increased by 36%. Our net debt to EBITDA ratio remains comfortably ahead of our internal threshold of 2.0 times. Interest cover increased to 13.9 times, again comfortably ahead of our internal minimum threshold of 5.0 times.

Acting safely⁴

The safety of our employees and contractors is of paramount importance, which is why we have key performance indicators for safety.

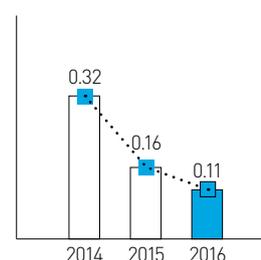
Read more on pages 44 to 46

Recordable incident rate



The number of injuries per 200,000 hours that required more than first aid, for employees and contractors.

Lost-work case rate



The number of injuries that resulted in lost-work days per 200,000 hours, for employees and contractors.

- Ensuring safe and healthy conditions at all our locations is essential to our operation as a successful business.
- Safety performance is a specific consideration that the Remuneration Committee may factor into decisions on remuneration.

For employees and contractors, the combined recordable injuries decreased by 12% in the calendar year 2016 and the lost-work cases decreased by 38%. The combined recordable incident rate remained flat in 2016. The combined lost-work case rate decreased by 31% compared to 2015.

Fatalities are recorded separately and not included in the rates above.

³ Ratios calculated under the Group's bank covenants definitions and reported on a proportionate consolidation basis.

⁴ Measured on a calendar year basis.

Speciality Food Ingredients Growth engine

Good performance with profit growth and margin expansion in the core business

At a glance

Continuing operations

Year ended 31 March

| | Volume change | Sales | | | | Adjusted operating profit | | | |
|--|---------------|------------|------------|-------------|-------------------------------------|---------------------------|------------|-------------|-------------------------------------|
| | | 2017 £m | 2016 £m | Change % | Constant currency change % | 2017 £m | 2016 £m | Change % | Constant currency change % |
| | % | | | | | | | | |
| North America | (3%) | 357 | 327 | 9% | (3%) | | | | |
| Asia Pacific and Latin America | 2% | 148 | 119 | 25% | 6% | | | | |
| Europe, Middle East and Africa | 14% | 145 | 109 | 32% | 15% | | | | |
| Total excluding SPLENDA® Sucralose and Food Systems | 2% | 650 | 555 | 17% | 2% | 125 | 105 | 19% | 8% |
| Food Systems | (8%) | 184 | 186 | (1%) | (13%) | 4 | 23 | (82%) | (84%) |
| SPLENDA® Sucralose | (5%) | 162 | 156 | 4% | (7%) | 52 | 22 | 134% | 77% |
| Total Speciality Food Ingredients | 1% | 996 | 897 | 11% | (3%) | 181 | 150 | 21% | 5% |

Key highlights

- Good performance overall, with adjusted operating profit 5% higher in constant currency
- Core business performed well, despite continued weaker performance in North America
- Food Systems had a difficult year, with a significant decline in Europe
- SPLENDA® Sucralose performance was strong, benefiting from actions taken to re-focus the business
- New Product momentum continues to be strong

Overview

Adjusted operating profit grew 5% in constant currency as we drove better product mix and improved margins in the core business and SPLENDA® Sucralose performance benefited from the consolidation of its manufacturing footprint completed at the end of the prior year, and the sell-down of excess inventory. Food Systems' adjusted operating profit declined sharply to £4 million, with sales constrained by both lower volume in Europe following the consolidation of our blending facilities to lower our long-term cost base, which took longer than expected, and the management of a credit issue that restricted our access to the Russian market.

The division delivered 150bps operating margin improvement, driven by good growth in the core business and strong SPLENDA® Sucralose performance.

The effect of currency translation was to increase sales by £122 million and adjusted operating profit by £23 million.

Speciality Food Ingredients excluding SPLENDA® Sucralose and Food Systems

Volume grew by 2%, with particularly good growth in Europe, Middle East and Africa, which benefited from the acquisition of the Slovakian facility. On a like-for-like basis, volume was 1% lower.

Adjusted operating profit increased by 8% in constant currency to £125 million, benefiting from strong commercial execution and good supply chain performance.

In North America, volume was 3% lower driven by softer demand in the overall US food and beverage market which continued to be sluggish in the year. In this region, we have a relatively high concentration of larger customers, and the softness these customers are experiencing in the current market environment, driven by lower consumer demand for their products, has more than offset new business we secured. As a consequence, we continue to pursue a longer-term shift in our business by evolving our go-to-market approach to focus more on higher-growth sub-categories which benefit from our expertise in sugar and calorie reduction, and fibre enrichment. In the health and nutrition category for example, we have selectively targeted sub-categories including energy and nutrition bars, where we grew volume by 9% in the year. In those areas where we believe we can accelerate progress, we are investing in sales, applications, technical service, and nutrition resources. The new business we are securing gives us confidence in our ability, over time, to grow ahead of the US market, and we expect to make progress against this goal as we move through the 2018 financial year.

In Asia Pacific and Latin America, volume was 2% higher reflecting strong performance in the wider Asia Pacific region and double-digit growth in Latin America somewhat offset by lower sweetener sales in Japan. Sales were 6% higher in constant currency. In Asia Pacific, excluding Japan, our



“We are well-placed to benefit from increasing global consumer trends for healthier food and drink.”

Joan Braca
President, Speciality Food Ingredients

business continued to grow strongly especially in China, benefiting from the investment in local commercial and technical capability over recent years. In Brazil, weak economic conditions and weak consumer offtake resulted in volume softness but this was more than offset by broad-based growth across the rest of the Latin American region. Our Latin American business is well positioned for further growth despite the continued weak macroeconomic conditions in Brazil.

In Europe, Middle East and Africa (EMEA), volume increased by 14% benefiting from good growth in the speciality sweetener business largely driven by the full ownership of the Slovakian facility from November 2015. Excluding the impact of this acquisition, EMEA delivered low single-digit volume growth with particular strength in our fibres portfolio.

Food Systems

In our global blending business, volumes were 8% lower largely reflecting weakness in Europe, where performance was impacted by two issues. Firstly, the continued management of a credit exposure to a large customer materially restricted our access to the Russian market. This credit issue is now closed and we are starting to sell product in Russia again. Secondly, the consolidation of our European blending sites, which took longer than anticipated, held back production and constrained sales. The consolidation is now complete and will reduce our cost base in Europe going forward.

These European issues affected performance, with adjusted operating profit 82% lower (84% lower in constant currency) at £4 million. Included in the profit for the year is a one-off charge of £5 million in respect of the provision against receivables related to the European credit issue.

In the first half, we executed a change to our Food Systems go-to-market approach in China to allow us to better serve customers and maximise our potential in that market. As a result we agreed to sell our interest in Jiangsu Tate & Lyle Howbeter Food Co., Ltd. back to our partner. We have recognised an exceptional charge of £7 million in respect of this investment.

We also recognised a net £13 million exceptional charge in respect of our Brazilian Food Systems business, Tate & Lyle Gemacom (Gemacom). The charge comprises an impairment of goodwill, reflecting lower growth expectations against the backdrop of a significantly weakened macroeconomic outlook in Brazil, partially offset by a reduction in contingent consideration payable. Gemacom remains an important part of our global Food Systems business, with high-quality assets and a strong market position.

Looking forward, with the benefits of our restructuring, we expect performance to improve over the course of the 2018 financial year.

Speciality Food Ingredients continued

SPLENDA® Sucralose

Adjusted operating profit increased by 77% in constant currency to £52 million, benefiting from better than expected pricing and the sale of excess inventory in the first half following the successful transition to a single manufacturing facility in McIntosh, Alabama. The second half saw the full benefit from significantly lower production costs at our single facility. As anticipated, after a strong start to the year, volume declined by 12% in the second half in line with our lower production capacity. As a result, volume for the full year was lower by 5%.

The rate of decline of selling prices for SPLENDA® Sucralose slowed, resulting in better pricing than expected during the year with favourable spot prices being secured in the first half for the sale of the excess inventory, and with a benefit from contracting in the second half. We continued to pursue a rigorous value-based approach by focusing on those customers who fully value the benefits of our quality and customer service offering.

In our 2018 financial year, with our business largely contracted, we expect the full-year benefit of lower costs to offset lower volumes. Looking further ahead, while the market for sucralose is expected to continue to grow, industry capacity remains in excess of demand and therefore we expect further pricing pressure in the market.

New Products

New Products, representing products in the first seven years after launch, continued to perform strongly. Volume of New Products grew by 37%, with sales increasing by 22%. Sales of New Products exceeded US\$100 million for the first time, reaching US\$105 million (or £81 million), with sales growth across all three platforms of sweeteners, texturants (where non-GMO starches grew strongly), and health and wellness. Since we opened our global Commercial and Food Innovation Centre in Chicago in 2012, New Product sales have delivered a 43% compound annual growth rate, demonstrating the quality of our innovation pipeline.

Innovation is a key enabler of long-term growth, and our focus continues to be on delivering innovative new products and solutions which meet customer and consumer needs in areas such as sugar and calorie reduction, 'clean-label' texturants, and fibre enrichment. These can be breakthrough innovations or incremental extensions to existing product families. For example, during the year we further expanded our sweetener range with MULTIVANTAGE® Syrup, a low-sugar, low-viscosity sweetener, as well as adding a crystalline format of DOLCIA PRIMA® Allulose. We also extended our range of 'clean-label' texturants with the launch of CLARIA® Bliss¹.

Our focus continues to be on delivering innovative new products and solutions which meet customer and consumer needs in areas such as sugar and calorie reduction, texture and fibre enrichment.

In March 2017, we entered into an exclusive partnership with Sweet Green Fields (SGF), one of the largest fully integrated global stevia players, to distribute their innovative stevia ingredients and bring their leading stevia-based sweetening solutions to our customers around the world, alongside our existing TASTEVA® Stevia offering. The partnership combines our sweetener expertise and global sales and distribution network with SGF's leading portfolio of stevia-based ingredients and integrated stevia supply chain. Sales of SGF's stevia ingredients and stevia-based sweetening solutions will be reported in New Products sales.

¹ CLARIA® Bliss was previously called CLARIA® Delight outside the European Union.



Case study

A customer in Asia wanted to launch a drink product that would appeal to a younger market. Our application scientists got to work and developed a new concept – a jelly drink. The drink contained a customised stabiliser system which provided unique functionality – it starts as a liquid when served at an ambient temperature and gels as it is chilled. This enabled our customer to launch a new line of drinks into the kids' beverage category and position its brand as youthful and contemporary.

Innovation and Commercial Development

Connecting consumers and science

Innovation and Commercial Development (ICD) is a key enabler of our growth strategy. ICD connects deep consumer and category understanding with leading-edge science to create solutions for customers which address growing consumer demand for healthier food and drink.

ICD is based at our global Commercial and Food Innovation Centre in Chicago, USA. At the Centre, we offer a full range of facilities and services including sensory evaluation, culinary development, human nutrition and regulatory expertise, state-of-the-art research and application laboratories, and a pilot plant. Through the Centre, and our global network of applications and technical services laboratories, we work closely with our customers to drive new product validation and bring new products to market quickly.

ICD supports both business divisions but its resources are largely focused on three broad platforms within the global speciality food ingredients market – sweeteners, texturants and health and wellness.

The innovation pipeline is managed through a disciplined process with clear milestones. A rigorous, multi-step 'Stage Gate' process is used to assess the size and viability of a potential idea through to final launch into the market.

ICD brings together scientific and commercial functions into one team to provide an integrated approach to developing and commercialising new products and technologies.

Global Marketing: operates a market research programme designed to build deep consumer and category understanding of our three platforms. It carries out primary research supplemented by insights from syndicated research services such as Euromonitor.

Platform Management: takes consumer and category understanding and translates it into focused strategies for our three platforms aligned to large market opportunities.

Research and Development: uses leading-edge science to deliver innovative new products which target large market opportunities.

Open Innovation: complements in-house science by developing relationships with universities and research institutions specialising in food science and technologies. For earlier stage opportunities, Tate & Lyle Ventures invests in companies in the food ingredient and technology space.

Each platform has a clear strategic focus aligned to large market opportunities

Sweeteners

Focused on driving sugar substitution by developing a range of low-calorie and no-calorie alternatives to sugar. Reducing calories from sugar consumption is an increasingly important priority not only for consumers but also for governments.

Texturants

Focused on delivering highly functional and 'clean-label' starches. In the food industry, starches play a key functional role in providing texture and shelf-stability, replacing fat and calories, as well as managing costs.

Health and wellness

Focused on delivering wellness through enrichment by developing soluble fibres and expanding our range of oat-based ingredients. Fibres support healthy digestion and have other functional benefits such as fat, sugar and calorie reduction.

Translating innovation into a commercial portfolio



Low-calorie sugar that offers a superior, new taste experience



Great-tasting natural, zero calorie stevia sweetener with no bitter after-taste



High-performing 'clean-label' starch allowing the launch of label-friendly products without compromising their quality



Fibre enrichment solution with excellent digestive tolerance



Natural, heart healthy soluble oat fibre that supports healthy blood cholesterol levels

Information about our New Products can be found on www.tateandlyle.com

Bulk Ingredients

Steady earnings and cash generation



Strong profit performance driven by commercial and operational execution, good demand and robust margins

At a glance

Continuing operations

Year ended 31 March 2017

| | Volume change % |
|------------------------------------|-----------------|
| Volume | |
| North American Sweeteners | -% |
| North American Industrial Starches | 3% |
| Total Bulk Ingredients | 3% |

| | 2017 £m | 2016 £m | Change % | Constant currency change % |
|----------------------------------|--------------|------------|-------------|-------------------------------------|
| Sales | | | | |
| Total Bulk Ingredients | 1 757 | 1 458 | 21% | 4% |
| Adjusted operating profit | | | | |
| Core Bulk Ingredients | 121 | 93 | 31% | 13% |
| Commodities | 8 | (9) | 183% | 166% |
| Total Bulk Ingredients | 129 | 84 | 54% | 32% |

Key highlights

- Strong performance with adjusted operating profit 32% higher in constant currency
- Solid demand across the portfolio
- Strong commercial execution
- Robust margins with industry well balanced
- Performance underpinned by good manufacturing performance

Overview

Volume increased by 3% driven by industrial starch growth and the acquisition of 100% of the Slovakian facility in the prior year. North American bulk sweetener volume was flat. Overall, volume on a like-for-like basis was flat. Sales for the division increased by 4% in constant currency to £1,757 million.

Adjusted operating profit was 32% higher in constant currency at £129 million, benefiting from good commercial and operational execution across the business and robust margins. Commodities contributed profits of £8 million, an increase of £17 million in the year. Operating margin for the division strengthened by 150bps.

The effect of exchange translation was to increase sales by £239 million and adjusted operating profit by £18 million.

The US corn wet milling industry remains well balanced, reflecting capacity reductions in the industry at the beginning of 2015 and more robust industry exports to Mexico where demand for regular carbonated soft drinks remained firm and sugar prices are relatively high at present.

We continue to position our Bulk Ingredients business in North America to deliver steady earnings over the longer term. We have adopted a product line approach to further increase our focus on product mix management and lower costs across the supply chain. We have also established a dedicated team to generate continuous process improvements within the plant network. We continue to look for ways to further improve the longer-term efficiency of our plants, with the new combined heat and power facility in Loudon, Tennessee, which was brought into use in the third quarter of the financial year, being an example. Commercial execution continues to strengthen, with stronger customer service driven from improved demand forecasting and supply chain decision-making which has been supported by the implementation of our global SAP system.

Corn prices

For the third consecutive year the corn harvest was strong, with the autumn 2016 harvest setting a production record at 15.1 billion bushels¹, and US corn inventories increasing to their highest levels in the past 30 years. Three consecutive strong harvests have led to a period of sustained lower US corn prices with market prices trading below \$4.00 per bushel for the majority of the financial year. The stocks-to-use ratio for the US market for 2016/2017 is estimated at 16%, reflecting inventories around one third higher being carried into the 2017/2018 corn year.

North American Sweeteners

North American bulk sweetener volume was flat, despite a modest decline in consumption, driven by strong commercial execution and the benefit of strong demand in Mexico.

Consumption of regular carbonated soft drinks is the main driver of high fructose corn syrup demand in the US. In the year ended 31 March 2017, US regular carbonated soft drinks consumption declined by only 0.7%², a slightly slower decline than the historical trend.



“We continue to position our Bulk Ingredients business in North America to deliver steady earnings over the longer term.”

Jim Stutelberg
President, Bulk Ingredients

Unit margins for contracts renewed for the 2016 calendar year increased, benefiting from continued good industry supply demand balance following capacity reductions. Our unit margins further benefited from mix improvements from our product line focus and manufacturing and supply chain efficiencies. Contracts renewed for the 2017 calendar year contracting round delivered modestly higher unit margins, benefiting the fourth quarter of the 2017 financial year.

North American Industrial Starches

North American industrial starches volume was 3% higher, somewhat ahead of underlying market growth. Demand for paper and board remained steady, as continued higher packaging and tissue demand offset a decline in demand for printing and writing paper. Demand for starches used in building materials has been robust in a relatively stable US housing market.

Commodities

Co-product values in the US have stabilised towards the low end of historical price levels. Strong recent production of corn and soybeans has sustained large year-to-year inventory carryover of both products and kept prices for both grains and co-products relatively stable. US ethanol margins remained relatively steady at the low end of the historical range during the year.

Commodities overall reported a profit of £8 million, an increase of £17 million from the 2016 financial year. The higher profits from Commodities were driven by better market demand for proteins, including corn gluten meal. Ethanol performance was largely flat.

US political environment

The new US Administration is seeking to reform the North American Free Trade Agreement (NAFTA). NAFTA is very important to the US food and agricultural sector, and Mexico in particular is a key export market for the corn wet milling industry, particularly for high fructose corn syrup. Until we have clarity on the nature of any proposed changes, it is difficult to estimate what the impact, if any, will be.

¹ USDA (the US Department of Agriculture) data.

² Source: IRI, Total US – Multi Outlet + Convenience Stores.

Global Operations

Delivering operational excellence

Global Operations is responsible for the delivery of high-quality products to our customers across the world. It ensures the efficient and cost effective operation of our manufacturing assets, and that our ingredients reach customers on time, in full and to a high quality. Through the application of process technologies and continuous improvement programmes, Global Operations drives cost and production efficiencies to ensure we remain cost competitive in the markets in which we operate.

Safety

Global Operations is responsible for the global safety programme, details of which can be found on pages 44 to 46.

Global manufacturing

Global Operations manages our principal manufacturing assets. In the US these include four major corn wet mills, three of which are in the mid-west and one in Tennessee. In Europe, we operate two corn wet mills, in the Netherlands and in Slovakia. All our corn wet mills make both speciality food ingredients and bulk ingredients.

Other key sites include our SPLENDA® Sucralose facility in the US, and our citric acid plants in the US and Brazil. Smaller manufacturing sites include an oat-based fibres facility in Sweden and a polydextrose fibre facility in China.

As well as serving domestic US markets, our US corn wet mills are also the main source of products sold in Latin America and Asia Pacific.

Global supply chain

Global Operations manages the storage, transportation and delivery of products from our plants to our customers. Global supply and demand planning processes are in place, supported by demand data from our global IS/IT system, including a common process for gathering a robust demand signal from the global business. Demand planning resources are based in each region in which Speciality Food Ingredients operates. The regional output provided, in a common format, is assessed against our supply capabilities allowing us to make faster, better-quality decisions.

Customer service, raw material sourcing and sustainability

Global Operations provides customer service operations for both business divisions. It operates regional customer service functions with dedicated teams managing customer communications from order receipt to delivery.

Corn is our largest raw material input. Global Operations manages corn procurement and the elevator network of storage facilities in the US to manage the cost effectiveness and security of our corn supply. While operating the production facilities as efficiently as we can, Global Operations is also focused on managing our impact on the environment and the communities in which we operate.

Continuous Improvement

A dedicated Continuous Improvement team is in place to lead productivity and efficiency projects across our manufacturing and broader supply chain network.



The new co-generation plant, a natural gas-fired combined heat and power system, at our corn wet milling facility in Loudon, Tennessee.

Two examples of projects completed by Global Operations during the year

Loudon co-generation

In the third quarter of the 2017 financial year, a new, natural gas-fired combined heat and power system was commissioned at our corn wet mill in Loudon, Tennessee. This new system, a US\$60 million investment, will significantly improve energy and operational efficiency at the facility, and also substantially reduce greenhouse gas emissions at the site.

SPLENDA® Sucralose production

In the first half of the year, following completion of the project to consolidate production of SPLENDA® Sucralose at one site, the facility in McIntosh, Alabama was brought up to planned production levels earlier than expected, enabling security inventory levels to be reduced quicker than originally planned.

Delivering stronger results



Nick Hampton, Chief Financial Officer

Key headlines

- 20%² increase in Group adjusted PBT with good performance and increased margins in both business divisions
- 5%² increase in Speciality Food Ingredients adjusted operating profit to £181m:
 - 8%² profit growth in core business, despite North America volume growth remaining challenging
 - £30m increase in SPLENDA[®] Sucralose profit following actions taken to refocus the business
 - £19m decrease in Food Systems profit with significant decline in Europe
- 22% increase in sales from New Products to US\$105m
- 32%² increase in Bulk Ingredients adjusted operating profit to £129m:
 - Strong commercial and operational execution, good demand and robust margins
 - £17m higher profit from Commodities
- £40m benefit from currency translation in adjusted profit before tax
- £121m increase in adjusted free cash flow from higher earnings, lower capital expenditure and currency translation
- Exceptional impairment charges of £26m

1 Adjusted results and a number of other terms and performance measures used in this Annual Report are not directly defined within accounting standards. For clarity we have provided descriptions of the various metrics and their reconciliations to the most directly comparable measures reported in IFRS, and the calculations where relevant of any ratios, in Notes 1 and 4.

2 Percentage changes in constant currency.

Summary of financial results¹ for the year ended 31 March 2017 (audited)

| Year ended 31 March | 2017 £m | 2016 £m | Change (reported) % | Constant currency change % |
|--|--------------|------------|------------------------|----------------------------------|
| Continuing operations | | | | |
| Sales | 2 753 | 2 355 | 17% | 2% |
| Adjusted operating profit | | | | |
| – Speciality Food Ingredients | 181 | 150 | 21% | 5% |
| – Bulk Ingredients | 129 | 84 | 54% | 32% |
| – Central | (46) | (46) | – | (1%) |
| Adjusted operating profit | 264 | 188 | 40% | 18% |
| Adjusted net finance expense | (25) | (23) | (9%) | 2% |
| Share of profit after tax of joint ventures and associates | 32 | 28 | | |
| Adjusted profit before tax | 271 | 193 | 40% | 20% |
| Exceptional items | (19) | (50) | | |
| Amortisation of acquired intangible assets | (12) | (11) | | |
| Net retirement benefit interest | (7) | (6) | | |
| Profit before tax | 233 | 126 | | |
| Income tax credit/(expense) | 22 | (5) | | |
| Profit for the year – continuing operations | 255 | 121 | | |
| Profit for the year – discontinued operations | 1 | 42 | | |
| Profit for the year – total operations | 256 | 163 | | |
| Earnings per share – continuing operations (pence) | | | | |
| Basic | 55.0p | 26.1p | 111% | |
| Diluted | 54.2p | 25.9p | 109% | |
| Adjusted earnings per share – continuing operations (pence) | | | | |
| Basic | 47.8p | 34.7p | 38% | 17% |
| Diluted | 47.1p | 34.5p | 37% | 16% |
| Dividends per share (pence) | | | | |
| Interim paid | 8.2p | 8.2p | | |
| Final proposed | 19.8p | 19.8p | | |
| | 28.0p | 28.0p | | |
| Cash flow and net debt | | | | |
| Adjusted free cash flow | 174 | 53 | | |
| Net debt – at 31 March | 452 | 434 | | |

Group Financial Results continued

Sales from continuing operations of £2,753 million were 17% higher than the prior year (2% higher at constant currency). Adjusted operating profit from continuing operations increased by 40% (18% at constant currency) to £264 million with profits ahead in both divisions.

Adjusted profit before tax from continuing operations was 40% higher than last year (20% at constant currency), increasing to £271 million. Adjusted diluted earnings per share from continuing operations increased by 12.6p to 47.1p.

On a statutory basis, profit before tax from continuing operations increased by £107 million to £233 million. Statutory diluted earnings per share from continuing operations increased by 28.3p to 54.2p reflecting improved operating performance, lower operating exceptional items and a tax credit in the year driven by exceptional tax items (2016 – tax charge). Profit for the year from total operations increased to £256 million (2016 – £163 million) with the prior year benefiting from a £42 million profit for the year from discontinued operations which included £62 million of profit after tax in respect of disposed elements of the Eaststarch joint venture and the Moroccan subsidiary.

Central costs

Central costs, which include head office costs, treasury and reinsurance activities, of £46 million were in line with the prior year.

Net finance expense

Adjusted net finance expense from continuing operations, which excludes net retirement benefit interest, was £2 million higher at £25 million, principally reflecting steps taken to extend the weighted average maturity of debt as proceeds from the drawdown of the Group's US\$400 million private debt, with a blended fixed rate notes coupon of around 4%, were used to repay short-term commercial paper in October 2015.

The Group repaid a US\$250 million bond on its maturity in June 2016.

Share of profit after tax of joint ventures and associates

The Group's share of profit after tax of joint ventures and associates of £32 million was £4 million higher than in the prior year reflecting strong underlying performance at both Almx in Mexico (due to strong demand for bulk sweeteners) and our Bio-PDO joint venture in the US.

Exceptional items from continuing operations

During the year, the Group recognised a net exceptional charge of £19 million within continuing operations. Included in exceptional costs were net impairment charges totalling £26 million. The Group incurred a net £13 million charge in respect of the Group's Brazilian Food Systems business, Gemacom, reflecting lower growth expectations against the backdrop of a weaker macroeconomic outlook in Brazil. The Group also incurred a £7 million charge in respect of exiting our interest in Jiangsu Tate & Lyle Howbetter Food Co., Ltd. in China together with a £6 million charge in respect of the impairment of certain redundant assets at our Decatur facility in the US.

Also included in exceptional charges was a £9 million non-cash gain in respect of the settlement of certain elements of our US retirement benefit plan obligations, a £5 million net business re-alignment charge in respect of sucralose and the Group's European operations, and a £3 million gain from disposals by Tate & Lyle Ventures. A full summary of exceptional items can be found in Note 7.

There was no tax credit on exceptional items (2016 – £21 million credit), although the Group did recognise exceptional deferred tax credits totalling £65 million (2016 – £nil) following recent changes to the Group's internal financing structure, and a transfer of intellectual property assets related to SPLENDA® Sucralose to align ownership with the underlying manufacturing base.

Net exceptional costs from continuing operations in the prior year totalled £50 million, predominantly reflecting business re-alignment costs.

Taxation

The Group's tax rate is sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions such as the US, nil effective rates in the UK due to available tax losses, and rates that lie somewhere in between. The adjusted effective tax rate on earnings for continuing operations for the year ended 31 March 2017 increased to 18.2% (2016 – 16.5%).

The reported effective tax rate (on statutory earnings) for the year was a credit of 9.6% (2016 – a charge of 4.0%), lower as a result of the recognition of two significant exceptional deferred tax credits totalling £65 million.

Firstly, as a result of recent changes in UK legislation arising from the OECD's Base Erosion and Profit Shifting (BEPS) project and changes to the internal financing arrangements we use to fund our international businesses, we have recognised an exceptional deferred tax credit of £34 million arising from previously unrecognised tax losses in the UK, which, based on enacted legislation, are now expected to be utilised against future UK taxable profits.

Secondly, the Group transferred at fair value its sucralose intellectual property assets from the UK, to align ownership with its corresponding manufacturing base in the US, following the move to consolidate all sucralose production into our US facility in the 2016 financial year. This transfer led to the recognition of an exceptional deferred tax credit of £31 million.

The recognition and measurement of deferred tax assets and liabilities is dependent on a number of key judgements and estimates. The deferred tax asset of £34 million arising from the utilisation of UK tax losses following changes to the internal financing arrangements reflects judgements related principally to: the size and duration of future internal financing arrangements; the interest coupon payable on these arrangements; the future level of deductible expenses incurred in the UK; and foreign currency exchange rates. Changes in these assumptions, along with future changes in legislation, for example impacting the utilisation of UK tax losses, could have a material impact on the amount of deferred tax recognised in future accounting periods.

We estimate that, with an increasing mix of US profits, the impact of changes to our internal financing structure, and under currently enacted legislation, the adjusted effective tax rate for the 2018 financial year will be between 21% and 24%. We expect the rate of cash tax, being the amount of tax paid as a percentage of adjusted profit before tax, to align to the adjusted effective tax rate over time.

Discontinued operations

In the year ended 31 March 2017, the Group recognised a £1 million exceptional gain, resulting from the recycling of cumulative foreign exchange translation gains from reserves to the income statement upon completion of the disposal of its corn wet mill in Casablanca, Morocco on 1 June 2016.

The discontinued profit for the year ended 31 March 2016 principally comprised a net exceptional profit before tax on disposal from Eaststarch and Morocco of £64 million (as the Group disposed of the predominantly bulk ingredients plants in Bulgaria, Turkey, Hungary and Morocco as part of the overall re-alignment), and an exceptional legal charge of £18 million relating to the sale of the Group's former EU Sugars business in September 2010.

Earnings per share

Adjusted basic earnings per share from continuing operations increased by 38% to 47.8p and adjusted diluted earnings per share from continuing operations at 47.1p were 37% higher. Total diluted earnings per share increased to 54.4p (2016 – 34.8p).

Dividend

The Board proposes an unchanged final dividend for the year ended 31 March 2017 of 19.8p to make an unchanged total for the year of 28.0p.

Subject to shareholder approval at the Company's AGM on 27 July 2017, the proposed final dividend will be paid on 1 August 2017 to all shareholders on the Register of Members on 30 June 2017. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan (DRIP) alternative.

Assets

Gross assets of £2,771 million at 31 March 2017 were £217 million higher than the prior year on a statutory basis reflecting profit for the year and the positive impact of the strengthening US dollar, with significant exchange gains on translation of foreign operations recognised in other comprehensive income. Net assets increased by £303 million to £1,332 million.

Retirement benefits

The Group maintains pension plans for our employees in a number of countries. Some of these arrangements are defined benefit pension schemes and, although we have closed the main UK scheme and the US salaried and hourly paid schemes to future accrual, certain obligations remain. In the US, we also provide medical benefits as part of retirement packages.

The net deficit on the Group's retirement benefits plans decreased by £69 million to £139 million. The deficit improvement was driven primarily by an increase in the surplus of the main UK scheme reflecting an increase in the value of all asset classes and lower retirement benefit obligations driven by changes in mortality assumptions, partially offset by a reduction in the discount rate used to discount future pension obligations.

Under funding arrangements in connection with the 2013 actuarial valuation, the Group committed to make core funding contributions for the main UK scheme of £12 million per year and supplementary contributions for six years of £6 million per year into a secured funding account, payable to the Trustee on certain triggering events.

The main UK scheme triennial valuation as at 31 March 2016 was concluded during the year, with core funding contributions maintained at £12 million per year, with the Group also committing to extend the supplementary contributions payable into the secured funding account of £6 million per year until 31 March 2023.

Group Financial Results continued

Cash flow and net debt

| | Year ended 31 March ¹ | |
|---|----------------------------------|------------|
| | 2017 £m | 2016 £m |
| Adjusted operating profit from continuing operations | 264 | 188 |
| Adjusted for: | | |
| Non-cash items in adjusted operating profit and working capital | 162 | 137 |
| Net interest and tax paid | (63) | (36) |
| Net retirement benefit obligations | (36) | (38) |
| Capital expenditure | (153) | (198) |
| Adjusted free cash flow | 174 | 53 |
| | At 31 March | |
| | 2017 £m | 2016 £m |
| Net debt | 452 | 434 |

Adjusted free cash flow (representing cash generated from continuing operations excluding the impact of exceptional items less net interest paid, income tax paid, and capital expenditure) was £174 million, £121 million higher than the prior year principally reflecting higher earnings (after adjusting for non-cash items) and lower capital expenditure.

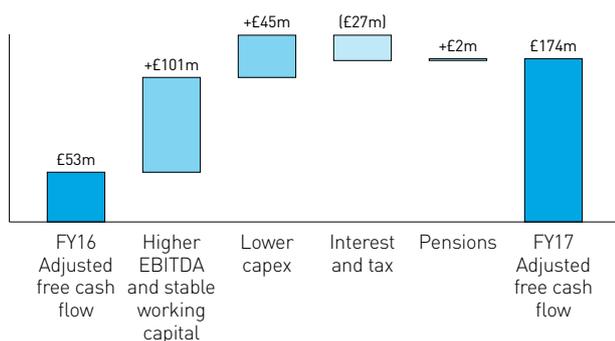
Net interest paid increased by £8 million, mostly owing to timing of interest payments. Taxation paid was £19 million higher reflecting higher taxable profits in the US.

Capital expenditure of £153 million, which included a £26 million investment in intangible assets, was 1.1 times the depreciation and adjusted amortisation charge of £137 million and reflects continued investment in capacity as well as efficiency and maintenance investments. We expect capital expenditure for the 2018 financial year to be around the same level.

Other significant cash flows in arriving at net debt included: £29 million of dividends received from joint ventures; external dividend payments of £130 million; exceptional cash outflows of £24 million; and the £18 million payment for the purchase of shares to satisfy share option commitments.

Adjusted free cash flow

For the year ended 31 March



Overall, on a constant currency basis, net debt decreased by £39 million in the year, reflecting strong free cash generation in the year, which exceeded dividend payments. However, net debt at 31 March 2017 of £452 million increased by £18 million due to the adverse impact of exchange rates of £57 million, mainly as a result of the impact of the stronger US dollar on the Group's US dollar denominated debt.

Financial risk factors

Our key financial risk factors are market risks, such as foreign exchange, transaction and translation exposures, and credit and liquidity risks, as explained in Note 29.

Off balance sheet arrangements

In the ordinary course of business, to manage our operations and financing, we enter into certain performance guarantees and commitments for capital and other expenditure. We aim to optimise financing costs in respect of all financing transactions. Where it is economically beneficial, we choose to lease rather than purchase assets. Leases for property, plant and equipment where the lessee does not assume substantially all the risks and rewards of ownership are treated as operating leases, with annual rentals charged to the income statement over the term of the lease. Commitments under operating leases to pay rentals in future years totalled £318 million (2016 – £303 million) and related primarily to railcar leases in the US and our commitment for a gas pipeline to supply our Loudon facility. Rental charges for the year ended 31 March 2017 in respect of continuing operations were £32 million (2016 – £24 million).

¹ Adjusted results and a number of other terms and performance measures used in this Annual Report are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS, and the calculation where relevant of any ratios in Notes 1 and 4.

Use and fair value of financial instruments

In the normal course of business we use both derivative and non-derivative financial instruments. The fair value of Group net debt at the year end was £472 million against a book value of £452 million (2016 – fair value £453 million, book value £434 million). Derivative financial instruments used to manage the interest rate and currency of borrowings had a fair value of £21 million liability (2016 – £5 million asset). The main types of instrument used are interest rate swaps and cross-currency interest rate swaps. The fair value of other derivative financial instruments hedging future currency and commodity transactions was £2 million asset (2016 – £4 million liability). When managing currency exposure, we use spot and forward purchases and sales, and options. The fair value of other derivative financial instruments accounted for as held for trading was an £11 million asset (2016 – £22 million asset).

Fair value estimation

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

Going concern

The Directors are satisfied that the Group has adequate resources to continue to operate for a period not less than 12 months from the date of approval of the financial statements and that there are no material uncertainties around their assessment. Accordingly, the Directors continue to adopt the going concern basis of accounting.

Basis of preparation

The Group's principal accounting policies are unchanged compared with the year ended 31 March 2016. A number of minor changes to accounting policies have been adopted during the year, although they have had no material effect on the Group's financial statements.

Details of the basis of preparation, including information in respect of the methodology used to calculate the Group's adjusted performance metrics, can be found in Notes 1 and 4.

Impact of changes in exchange rates

The Group's reported financial performance at average rates of exchange for the year ended 31 March 2017 was favourably impacted by currency translation. The effect of exchange translation was to increase adjusted profit before tax by £40 million compared with the comparative year principally as a result of a weakening of sterling against most other currencies following the UK's vote to leave the EU. The average and closing US dollar and euro exchange rates used to translate reported results were as follows:

| | Average rates | | Closing rates | |
|---------------------|---------------|------|---------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| US dollar: sterling | 1.30 | 1.51 | 1.25 | 1.44 |
| Euro: sterling | 1.19 | 1.37 | 1.17 | 1.26 |

Foreign currency impacts and the UK's referendum on EU membership

Sterling has weakened significantly since the UK's referendum on EU membership in June 2016. Average rates for the financial year were US dollar:£1 = \$1.30; Euro:£1 = €1.19; Mexican peso:£1 = 25.11 peso; and Brazilian real:£1 = 4.32 real. For the year ended 31 March 2017, foreign exchange translation increased Speciality Food Ingredients adjusted operating profit by £23 million; and increased Bulk Ingredients adjusted operating profit by £18 million, with adjusted profit before tax for the Group increasing by £40 million.

We have assessed the impact of the UK referendum result on our business. The Group generates less than 2% of its revenues in the United Kingdom. The outcome of this referendum is not expected to have a material near-term impact on our business.

Nick Hampton
Chief Financial Officer

24 May 2017

Managing our risks effectively

The Group faces a number of risks which could have a material adverse effect on our strategy, performance, results, financial condition and reputation

How we manage risks

Tate & Lyle's enterprise risk management (ERM) programme facilitates a common, Group-wide approach to the identification, analysis and assessment of risks and the way risks are managed, controlled and monitored.



Risk framework

The Board has overall responsibility for the Group's system of risk management and internal control, and for setting the Group's risk appetite. The schedule of matters reserved to the Board ensures that the Board makes a robust assessment of, among other matters, the principal risks facing the Group, and determines the nature and extent of risk it is willing to take for the Group to achieve its strategic objectives.

Approach

Process to identify risks

The Group-wide risk management and reporting process helps to identify, assess, prioritise and mitigate risk. Principal risks are considered over a time period of three years. This annual process is both bottom-up and top-down.

The top-down aspect involves the Board assessing what it believes to be the principal risks facing Tate & Lyle. The bottom-up aspect of the process involves a rolling programme of workshops, facilitated by the risk management team, held around the Group. During these workshops, current and forward-looking risks are identified which are collated and reported through functional and divisional levels to the Executive Committee. Areas and behaviours which could potentially trigger risk combinations are also considered.

We combine the results of these processes to identify the Group's key business, strategic, financial, operational and compliance risks, and then develop action plans and controls to mitigate them as far as possible, to the extent deemed appropriate taking account of the Group's risk appetite. These risks are then reviewed again by the Board, which also reviews emerging and black swan risks.

Risk appetite

As part of the annual risk assessment process, the Board and Executive Committee undertake an exercise to consider the nature and extent of the Group's risk appetite. This exercise was refreshed during the year with the help of an external risk expert facilitator. The results of this exercise are used as part of strategic planning activities, and in setting ongoing mitigating actions.

Managing risks

Individual executives in each division are assigned responsibility for managing risks and their associated mitigating controls. As part of the process, senior executive management formally confirms once a year that risks are being managed appropriately within their operations and that controls have been examined and are effective. The confirmations and any exceptions are discussed at the Audit Committee and Corporate Responsibility Committee, and, where appropriate, reported to the Board.

The Executive Committee reviews the principal risks regularly and formally on a quarterly basis, and reports any changes in the level or velocity of the risks, and associated mitigating actions, to the Board. The Board reviews the principal risks at least every six months.

Principal risks

The Board has carefully considered the type and extent of the principal risks to the Group achieving its objectives. While the Group seeks to manage risk carefully, at the same time the Board recognises that some risk needs to be taken for the Group to achieve its strategic goals.

Over time, the risk profile of the Group evolves and the Board's view of the principal risks is updated accordingly. This year, 'shareholder expectations' has been removed as a principal risk following the stabilisation and then improvement in the Group's financial performance over the last two years. Conversely, given increasing geopolitical uncertainty over the last year in some of the markets we operate in, the Board has decided to add 'government regulations and trade policies' as a principal risk this year.

The Board confirms that a robust assessment of the principal risks facing the Company, including those that would threaten its business model, performance, solvency and liquidity, has been carried out. The principal risks identified as part of the process undertaken during the year, together with examples of the mitigating actions being taken, are set out on pages 40 and 41. It is not possible to identify or anticipate every risk that may affect the Group.

Viability statement

In accordance with the provisions of the UK Corporate Governance Code issued in September 2014, the Directors have assessed the viability of the Group, taking into account our current position and the potential impact of the principal risks we face.

Although the Group's strategic plan, which the Board reviews annually, forecasts beyond three years, the current planning process provides for the preparation of a detailed financial plan over a three-year period, built bottom-up on a divisional basis, including anticipated capital and funding requirements. For this reason, the Directors have determined that a three-year period to 31 March 2020 is an appropriate period over which to assess viability.

To assess viability, we stress-tested the strategic plan under four downside scenarios. These were seen as key outcomes that would stress the potential viability of the Group if one or more of the principal risks set out in this Annual Report occurred. The potential impact of these scenarios was assessed individually, and in combinations, on both a gross (before mitigation) and a net (after mitigation) basis. The four downside scenarios modelled were a major operational failure causing the shutdown of a large manufacturing facility for an extended period of time, a sharp decline in sales in one or more of our major product lines, the loss of one or more of our key global customers, and government actions or policies restricting or preventing our ability to operate in key markets. In each case, it was assumed that our ability to acquire financing or re-financing in the capital markets remained available in all plausible market conditions.

The impact of these risks occurring was measured by quantifying their financial impact on the strategic plan, and on the Group's viability when set against measures including liquidity, credit rating and financial covenant requirements. We also considered operational and commercial impacts. The results of this stress testing showed that the Group would, over the three-year period, be able to withstand the impact of the most severe combination of the risks modelled by making adjustments to our strategic plan and capital allocation priorities, and other available mitigating actions.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2020.

Risks continued

| Principal risks | Examples of how we manage the risk |
|--|---|
| <p>Safety Act safely and maintain the safe operation of our facilities</p> <p>The safety of our employees, contractors, suppliers, and the communities in which we operate is paramount. We must operate within local laws, regulations, rules and ordinances relating to health, safety and the environment, including emissions. Failure to act safely, which could lead to loss of life or serious injury, may give rise to fines or penalties for breach of safety laws, interruptions in operations or loss of our licence to operate, liability payments and costs arising from injuries or damage, and damage to our reputation.</p> | <ul style="list-style-type: none"> • Health and safety policies and procedures at all facilities with dedicated staff to ensure they are embedded and measured • Regular review of performance and policies by the Corporate Responsibility Committee • Maintenance of suitable insurance programme • Programme of global compliance audits; senior executives also undertake annual executive audits at most sites • Process safety management system in place to manage use of hazardous chemicals • SafeStart® behavioural safety training programme rolled out across plants, offices and labs • Comprehensive review of Group-wide safety protocols, procedures and culture being undertaken with the support of an independent external expert consultancy |
| <p>Strategy Growth in speciality food ingredients</p> <p>Tate & Lyle's strategy is to become a leading global provider of speciality food ingredients and solutions. Our ability to deliver that strategy may be affected by a number of factors such as delivering growth in emerging markets, acquisitions, customers' readiness to adopt new ingredients and incorporate them in new product launches, competitor actions, and growing key product or product families. Failure to deliver our strategy over the longer term would negatively affect our credibility, reputation and profitability.</p> | <ul style="list-style-type: none"> • Investments to increase sales and technical resources, and infrastructure, particularly in emerging markets • New staff recruited and existing staff developed to upgrade skill sets in customer-facing areas and innovation • Enhancement of internal capabilities to promote growth through acquisition and partnerships, for example the new distribution agreement with Sweet Green Fields for stevia ingredients announced during the year • Global programme to increase customer focus in key areas such as customer account management, planning and execution |
| <p>Innovation Innovate and commercialise new products</p> <p>Failure to identify important consumer trends and provide innovative solutions, and the inability to successfully commercialise new products, could impact the delivery of our strategy. This would affect our performance and reputation.</p> | <ul style="list-style-type: none"> • Innovation and Commercial Development team conducts research and works closely with customers and other external organisations to identify emerging consumer trends • Open innovation team actively scouts for breakthrough technologies and opportunities across industries and universities • Global marketing organisation provides support for new product launches and consumer and category insight • Prioritisation of 'partnership' opportunities with customers to accelerate development cycles and time to market for new ingredients • Tate & Lyle Ventures invests in early-stage companies in the areas of food science and technology by partnering with research institutions, entrepreneurs and other venture funds |
| <p>People Attract, develop, engage and retain key personnel</p> <p>Performance, knowledge and skills of employees are central to our success. We must attract, integrate, engage and retain the talent required to deliver our strategy, and have the appropriate processes and culture in place. Being unable to retain key people and adequately plan for succession could have a negative impact on our performance.</p> | <ul style="list-style-type: none"> • Remuneration policies designed to attract, retain and reward employees with ability and experience to execute Group strategy • Talent development strategy to provide opportunities for employees, as well as training to close skills gaps • Single global performance management system and talent planning processes in place • Greater focus by the Board on succession planning for business-critical roles • Measurement of progress against cultural objectives, for example, global employee surveys |
| <p>Legal and compliance Comply with legal or regulatory requirements, and our Code of Ethics</p> <p>We operate in a variety of markets and are therefore exposed to a wide range of legal and regulatory frameworks. We must understand and comply with all applicable legislation. Any breach could have a financial impact and damage our reputation.</p> | <ul style="list-style-type: none"> • Regular monitoring and review of changes in law and regulation in areas such as health and safety, environment, quality, food safety, corporate governance and data protection • Legal teams maintain compliance policies in areas such as anti-trust and anti-corruption law; and provide ongoing training to employees • Ethics training provided to employees • Whistleblowing process in place (Speak Up programme) |
| <p>Cyber security Maintain the security of our information systems and data</p> <p>A cyber security breach, whether as a result of human error, deliberate action or the failure of technology systems, could result in unauthorised access to or misuse of information systems, technology or data. This could cause harm to our assets, loss of data, business disruption, legal liabilities and damage to our reputation.</p> | <ul style="list-style-type: none"> • Cyber security enhancement programme in place focused on strengthening people, process and technology defences • Compulsory cyber security training • Cyber security breach scenario exercises • Advanced perimeter defences in place • Continuous vulnerability detection and defences • Separation of systems within plant network • Third-party Security Operations Centre providing 24/7 security monitoring, security event correlation and threat counter-measures |

Principal risks

Examples of how we manage the risk

Operations and supply chain**Maintain the continuous operation of our plant network and supply chain, including high standards of customer service**

Operating plants involves many risks which could cause temporary or permanent breaks in production. We must have a robust sales and operations planning process to avoid disruption to the supply chain and maintain high standards of customer service. Failure to do any of these things could have a material adverse effect on our performance and reputation.

- Preventive maintenance programme across the plant network
- Ongoing programme to improve global supply chain processes
- Business continuity capabilities in place to enable supply, as quickly as practicable, of product to customers from alternative sources in the event of a natural disaster or major equipment or plant failure
- Dedicated internal resources allocated to key projects in conjunction with business teams to ensure business continuity is not compromised
- Customer service managed by Global Operations as part of integrated end-to-end supply chain process

Raw materials**Fluctuations in prices and availability of raw materials, energy, freight and other operating inputs**

Our margins may be affected by fluctuations in crop prices due to factors such as alternative crops, co-product values and the variability of local or regional harvests caused by, for example, weather conditions, crop disease, climate change or crop yields. In some cases, due to the basis for pricing in sales contracts, or due to competitive markets, we may not be able to pass on to customers the full increase in raw material prices or higher energy, freight or other operating costs. Additionally, margins may be affected by customers not taking expected volumes.

- Strategic relationships with suppliers and trading companies including multi-year agreements
- Balanced portfolio of supply and tolling contracts in operation with customers to manage balance of raw material prices and product sales prices and volume risks
- Raw material and energy purchasing policies to provide security of supply
- Network of corn elevators to enhance security of supply
- New or back-up supply sources in place in case primary suppliers face localised challenges
- Use of derivatives and forward contracts where practical, to hedge and manage our exposure to raw material and co-product prices

Quality**Maintain the quality and safety of our products**

The safety of the consumers of our products is critical. Poor quality or sub-standard products could have a negative impact on consumer safety and on our reputation and relationships with customers.

- Strict quality control and product testing procedures to ensure products are released only with full quality control clearance
- Quality policies, procedures and performance reviewed regularly by the Corporate Responsibility Committee
- Immediate response Recall Committee meets promptly if a recall event occurs
- Third-party audit programme supplemented by internal global compliance audits
- Regular recall simulation exercises

Consumer concerns and food regulation**Changes in consumer, customer or government attitudes to our products**

Our freedom or ability to operate may be affected by changes in consumer or customer attitudes, food law and regulatory changes, political campaigns targeted at specific ingredients or technologies or other factors that may impact the regulatory status or perception of our products or of their functionality, efficacy or use. We must ensure that the science behind our ingredients (for example, health claims, nutritional impact) is supported by credible sources, clearly communicated and understood by relevant regulatory authorities. Failure to do so may restrict the markets for our products.

- Global regulatory team, supported by external consultants, monitors local regulatory requirements affecting our products
- Global nutrition team initiates and monitors research and publications concerning the use and functionality of our ingredients and maintains global network of health and nutrition clinicians, academics and experts
- Membership of trade organisations provides access to broader sources of information and ensures, where appropriate, a single voice for the industry on regulatory and public interest issues affecting our ingredients
- Maintenance of relations with regulatory authorities
- Provision of clear information on ingredients' provenance and traceability
- Research Advisory Group, chaired by a non-executive director and comprising leading scientific experts, reviews critical aspects of the Group's innovation activities and provides guidance

Government regulations and trade policies**Changes in government regulations and/or trade policies**

Government actions or policies causing changes in quotas, tariffs or customs duties, or imposing import/export limitations, or other barriers, may lead to our business incurring additional costs, or may restrict opportunities for growth or prevent our ability to operate in certain markets.

- Programme in place to ensure that we actively engage in discussions with political parties, influencers and regulatory authorities in the main countries we operate in
- Active member of relevant industry trade associations
- Model in place enabling production across the plant network to be adapted or optimised in the event of market restrictions in certain countries
- Operation of a global plant network means customers can be served from different countries if products from certain markets are restricted or become economically less attractive
- Continue to invest in resources and infrastructure across different markets and geographies to diversify business mix

Financial controls**Maintain an effective system of internal financial controls**

Without effective internal financial controls, we could be exposed to financial irregularities and losses from acts which could have a significant impact on the ability of the business to operate. We must safeguard business assets and ensure the accuracy and reliability of our records and financial reporting.

- Financial policies and standards are in place supported by procedures for key financial processes, for example, capital expenditure
- Financial risks are monitored and managed through a number of forums, for example, the regional Control Environment Councils
- Chief Executive and Chief Financial Officer undertake detailed quarterly business and financial reviews
- Process controls were reviewed during the year for existence and effectiveness
- Automated controls are built into systems where possible

Key: new principal risk this year

Building a sustainable business

Our approach to corporate responsibility focuses on our workplace, the safety of our people, the environment, our marketplace, and the communities of which we are a part

Our Values

Our Values define what we stand for and how we behave with our customers, suppliers, investors, the communities we operate in, and with each other.



Governance
 The governance of Corporate Responsibility (CR) is overseen by the Board's Corporate Responsibility Committee [see page 72]. The Chief Executive is the Board Director with specific responsibility for CR and issues relating to CR are considered within the Group's risk management and reporting processes (see page 38).

Public reporting
 We explain the scope, principles and methodologies we use to report our CR performance in 'CR Reporting Criteria Annual Report 2017' at www.tateandlyle.com/about-us/corporate-responsibility

Assurance
 Bureau Veritas UK Ltd have independently verified selected environmental data on page 47. Their assurance statement is at www.tateandlyle.com/about-us/corporate-responsibility

Workplace

Our employees are the key to delivering our strategy. In line with our Values, we believe that everyone should be safe at work and be treated fairly and with respect.

Our policies covering ethical conduct and human rights include:

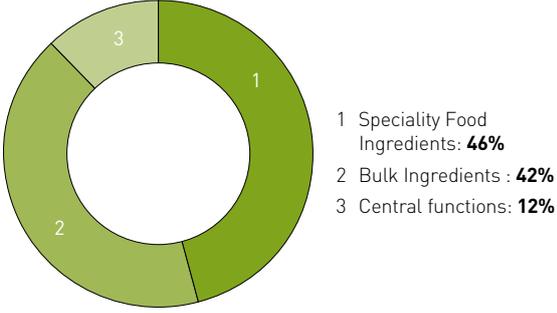
- Our Code of Ethics, and related internal and external communication and training
- The Group's global human resources policies, and our position and practices on equal opportunities and diversity
- Our 'Speak Up' programme (system that supports whistleblowing)
- Our controls for managing standards in the supply chain (see page 50).

Employee profile

At 31 March 2017, Tate & Lyle employed 4,146 people (2016 – 4,326). During the year we have closed the Singapore sucralose plant, sold our interest in Jiangsu Tate & Lyle Howbetter Food Co, Ltd in China back to our partner, and restructured our Food Systems blending sites in Europe. At the same time, we continued to expand our commercial teams in Asia Pacific and Latin America, and added staff at our Global Shared Service Centre in Poland.

Employees by division

as at 31 March 2017



Relationship with employees

We believe in equal opportunities for all, regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin.

Our policies, practices and procedures for recruitment, training and career development are designed to promote equality of opportunity. We are committed to treating people with disabilities fairly in all respects, including job applications, training, promotion and career development. If an employee became disabled we would, where appropriate, aim to retrain them for a more suitable role.

Employee engagement

We believe that employees who are committed to Tate & Lyle's goals, Values and strategy are happier and ultimately deliver better results.

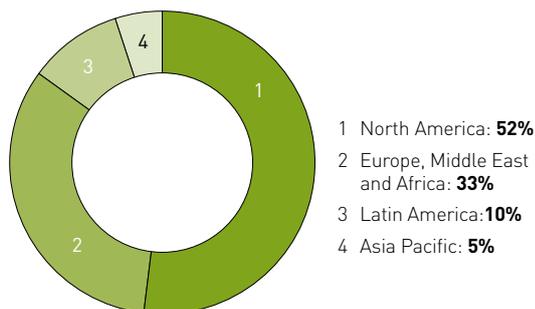
Good internal communication is the key to creating real employee engagement. We communicate with our employees across the world in a number of ways, using channels such as our intranet, our Yammer internal social network, our global employee magazine published every four months in English and summarised in nine languages, team meetings and face-to-face dialogue.

We invest in helping employees and managers stay up to date with the latest requirements of their roles. During the year, this included a supervisors' development programme and a people management development programme. We also trained managers in the latest techniques for conducting performance reviews and engaging in active dialogue with their people throughout the year.

In June 2016 we conducted a Group-wide 'pulse survey' to measure our progress in those areas identified for action in the 2015 global employee survey. 77% of our employees participated in the survey, which showed that we had made good progress in the areas identified, with further improvements planned to be made during the year.

Employees by geography

as at 31 March 2017



Diversity and inclusion

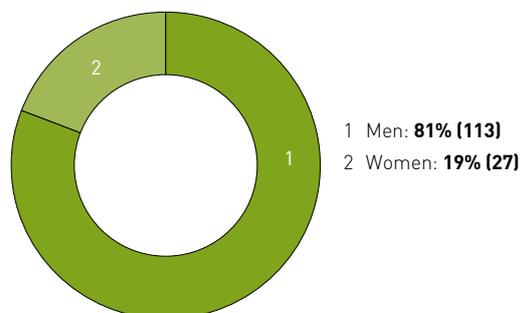
We believe that all employees contribute to the performance of the Group and should have the opportunity to develop fully according to their individual abilities. We aim to attract a diverse workforce that reflects the communities in which we operate. Through our Employee Resource Groups, company magazine, internal website and various other communication channels, we work to create awareness of diversity and inclusion issues and to promote equal opportunities.

Gender diversity (as at 31 March 2017)

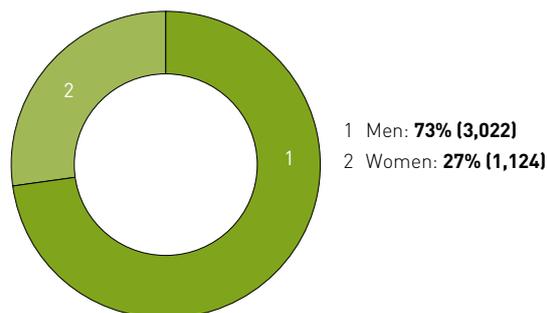
Board of Directors



Senior managers and statutory directors¹



All employees



¹ Gender diversity for senior managers, excluding statutory directors, is 73% (47) men and 27% (17) women.

Safety

Our ultimate goal is to have no accidents and no injuries. Our Executive Safety Steering Committee, chaired by our Chief Executive, meets throughout the year to review our safety performance and safety improvement programmes. In addition, our senior executives personally undertake executive safety audits at all major sites around the world every year.

Performance

For employees and contractors, the combined recordable injuries decreased by 12%¹ in the calendar year 2016 and the lost-work cases decreased by 38%, as shown on page 45. The combined recordable incident rate remained flat in 2016. The combined lost-work case rate decreased by 31% compared to 2015, as indicated in the table below. The majority of incidents requiring treatment beyond first aid were the result of being struck by or struck against an object.

Despite the overall improvement in our safety performance, the year was overshadowed by an industrial accident in which an employee and a local farmer tragically lost their lives at one of our grain elevators in the US. The incident is still under investigation.

Following the accident, we instructed our grain elevator insurer to conduct safety assessments at every grain elevator and revised our safety policies and the technical standards for bucket elevators, as well as making a number of targeted safety-related investments. Finally, we conducted safety training for all grain elevator operators and staff.

In early 2017, we launched a comprehensive Group-wide safety review supported by an independent external expert consultancy experienced in heavy processing industries. The objective was to assess our facilities' safety performance in terms of processes, organisation and culture and to highlight improvement opportunities.

As part of the Group-wide safety assessment, our global safety management systems were also reviewed, and an all-employee Group-wide safety culture survey was carried out.

The learnings from this review will make a critical contribution to ensure that all our employees, contractors and visitors are kept safe at all times.

Safety performance by calendar year

| | Recordable incident rate | | Lost-work case rate | |
|------------|--------------------------|--------------------|---------------------|--------------------|
| | 2016 | Change versus 2015 | 2016 | Change versus 2015 |
| Employee | 0.74 | 61% | 0.12 | 0% |
| Contractor | 0.80 | -46% | 0.10 | -62% |
| Combined | 0.76 | 0% | 0.11 | -31% |

External benchmarking

To put our safety performance in context (and to reflect the fact that the majority of our employees are located in the US), we compare our results with US industry averages, as shown in the graphs on page 45.

Safety improvements

We work hard to continuously improve our safety programmes, controls and performance. During 2016 we put in place the following initiatives:

- **Reducing contractor accidents:** We set out to improve our contractor safety culture to reduce the number and severity of contractor accidents. As part of this we introduced a 'teamwork' approach, combining safety statistics, milestone achievements and celebrations with those of our employees, and invited contractors to our safety committee meetings. In the US, Brazil and Mexico, we also invited contractors to monthly incident calls, and conducted monthly calls with contractor safety directors and our insurer to discuss safety audit trends and action plans. We also required our manufacturing sites to put in place a contractor hazard recognition and reporting programme, if they did not already have one.
- **Machine guarding:** We conducted training on machine guarding and required all sites to continue making improvements in this area.
- **Annual global safety week:** This annual event saw many employees and their families, as well as contractors, taking part in activities across our sites worldwide. Our annual children's safety calendar drawing contest, for employees' families, encourages the next generation to be aware of safety.

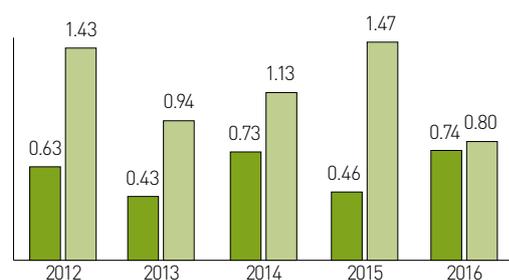
Ergonomics

In 2016, we asked all sites to make at least one ergonomic improvement at their facility to improve material handling and work posture. Examples included sites buying pallet lifts so employees no longer have to lift from floor level, as well as changing the seats used by security guards to make them more comfortable and supportive during long periods of sitting. We hope to see the benefit from these improvements in 2017.

¹ All safety statistics are measured on a calendar year basis.

Safety performance charts¹

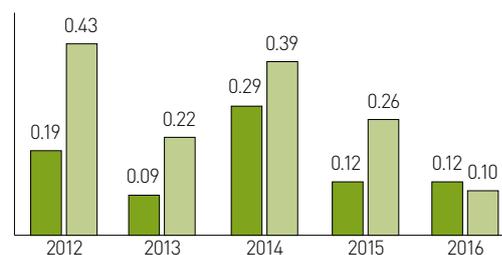
Recordable incident rate



Number of injuries requiring treatment beyond first aid per 200,000 hours



Lost-work case rate



Number of injuries that resulted in lost-work days per 200,000 hours



Number of incidents combined² (2016)

53

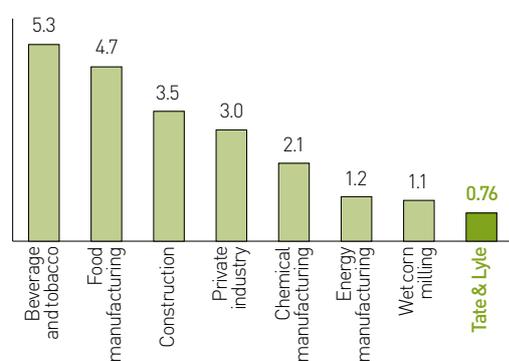
(2015: 60)

Number of lost-work cases combined² (2016)

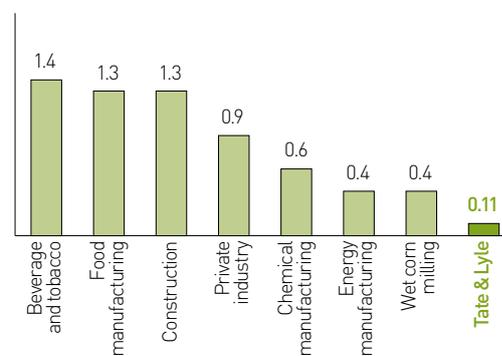
8

(2015: 13)

US industry sector employee recordable incident case rate 2015³ and Tate & Lyle combined 2016



US industry sector employee lost-work case rate 2015³ and Tate & Lyle combined 2016



¹ We report safety performance by calendar year and for all employees at both Tate & Lyle owned operations and joint ventures.

² Tate & Lyle employees and contractors combined.

³ Source: U.S. Bureau of Labor Statistics, U.S. Department of Labor, October 2016.

Corporate Responsibility continued

Hand safety

In July, we launched our hand safety campaign that included monthly communications, posters and safety meetings that looked at everything from rotating machinery and electrical safety to gloves. This campaign ran for 10 months.

Safe design and condition of tall structures and process storage

Further to our progress in 2015, we continued our programme of structural integrity checks carried out by external engineers. Our aim was to make sure all our tall buildings and process storage structures and equipment were safely designed and in good condition. In 2016, we carried out structural integrity assessments at our grain elevators and bulk syrup stations.

Behavioural safety

In 2016, we continued to roll out SafeStart® behavioural safety training at our global manufacturing facilities, together with safety intervention and feedback training for management at our US corn plants. We also provided SafeStart® training for employees in our offices and labs.

'Let's Stay Safe' booklet

In 2016, we continued to roll out our 'Let's Stay Safe' booklet which was first launched in 2015 and is designed to increase awareness and promote programmes that prevent serious injuries and fatalities.

Occupational health and well-being

We use external occupational health professionals to monitor and safeguard the health of employees at work. These experts also provide information, advice and support for general health and well-being.

We aim to promote an active lifestyle across the Group. A good example is our participation in the Global Corporate Challenge, a workplace engagement programme undertaken by companies around the world every year. In 2016, 924 employees across all areas and levels of Tate & Lyle took part in this 100-day challenge, working in teams of seven to take more than 10,000 steps every day. We are proud to say our employees achieved an average of 12,855 steps each day, beating the global benchmark of 12,700. Learn more at <https://globalchallenge.virginpulse.com/>.

Teams of Tate & Lyle employees also took part in events such as the JP Morgan Corporate Challenge in Chicago and London, and other local sports events.

Environment

We aim to reduce our environmental impact, and we continuously work to reduce energy, water and waste throughout our global operations.

We address environmental considerations across the life-cycle of our products, from our agricultural supply chain, processing, and through to how our products are packaged and transported.

Policy and standards

Our environmental policy and standards apply to all our activities around the world, and we aim to integrate environmental considerations in all major decisions. We promote environmental communication and awareness across the Group, including during induction sessions and other training opportunities at our manufacturing facilities. Our environmental policy is available on the Company's website, www.tateandlyle.com.

All our facilities are subject to local environmental authorisations and permits, and we do our best to comply with these at all times. If a site breaches an operating limit, we aim to immediately resolve the issue. Our internal environmental audit programmes reinforce adherence to our management standards.

Within our own operations and joint ventures, we focus our attention on activities that have the greatest potential impact on the environment. We aim to reduce energy use, our carbon footprint, waste to landfill and water use. In 2016, we achieved a leadership position of A- in the CDP.

Outside our own operations we focus on our agricultural raw material and ingredient supply chain, the transportation of our products to our customers and our product packaging.

Performance

As set out in last year's Annual Report, this year we have restated all our environmental performance measures for all years back to 2008, for the effect of the disposed Eaststarch plants. Performance between 2015 and 2016 based on the revised baseline shows underlying improvement across all environmental metrics, as shown in the environmental performance charts on page 47.

Energy use and carbon emissions

In calendar year 2016, we decreased our energy use per tonne of production by 1% compared with 2015, and since 2008 we have reduced energy use per tonne of production by 5.5%. Since 2008 we have achieved a 10.4% reduction in CO₂e emissions per tonne of production, a decrease of 1.5% per tonne of production in 2016. The number for CO₂e emissions in last year's Annual Report was prior to restatement and is not reflective of the underlying trend.

Group greenhouse gas (GHG) emissions for the period 1 January to 31 December 2016 in tonnes of carbon dioxide equivalents (tCO₂e) were:

- From combustion of fuel and operation of facilities (Scope 1) – 1,975,058 tCO₂e² (2015 – 1,908,004 tCO₂e)
- From electricity, heat, steam and cooling purchased (Scope 2) – 1,001,033 tCO₂e² (2015 – 1,106,766 tCO₂e)
- In total (Scope 1 and 2) – 2,976,091 tCO₂e² which equates to an intensity of 0.395 tCO₂e² per metric tonne of production (2015 – 3,014,770 tCO₂e and intensity 0.401 tCO₂e).

Water use

We reduced our water use per tonne of production by 2.6% in 2016, due to water efficiency projects and programmes we implemented during the year. Since 2008 we have reduced water use per tonne of production by 1.5%.

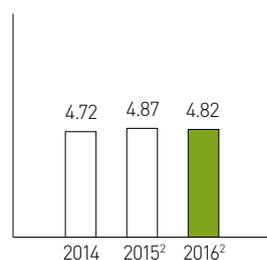
Waste to landfill

We reduced waste to landfill by 15.8% per tonne of production in 2016 and since 2008 waste to landfill per tonne of production has reduced by 14.8%.

Environmental performance¹ (by calendar year)

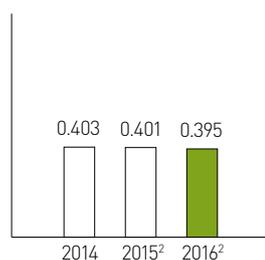
Energy use

Gigajoules (GJ) per tonne of production



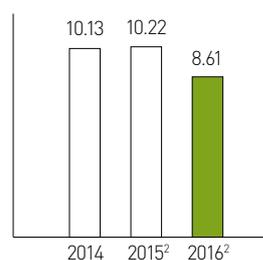
Primary carbon footprint

Tonnes CO₂e per tonne of production



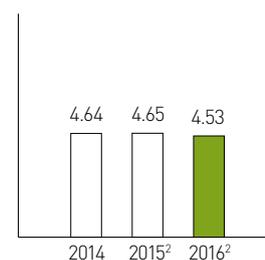
Waste to landfill

Tonnes per 1,000 tonnes of production



Water use

Cubic metres per tonne of production



¹ We report environmental performance by calendar year and for all sites – both Tate & Lyle owned and joint ventures. In line with our established methodology for separating the data of disposed sites and incorporating the data of new sites as set out at www.tateandlyle.com/CR2016, the Eaststarch manufacturing sites in Bulgaria, Hungary, Morocco and Turkey that we disposed of during 2015 are excluded from the data in this Annual Report and data for the manufacturing site we acquired in Sweden in 2013 is included.

² Refers to 2015 and 2016 data that has been externally assured by Bureau Veritas UK Ltd. Their assurance statement is at www.tateandlyle.com/about-us/corporate-responsibility.

Corporate Responsibility continued

Environment targets – 2016 performance progress

This table summarises our performance against our 2016 year-end targets for CO₂e reduction, packaging, transport and sustainable agriculture.

| Target by end of 2016 | 2016 year-end performance | Commentary |
|---|---|---|
| Reduce CO₂e emissions from energy use by 12.5% per tonne of production (baseline year 2008) | Achieved 10.4% reduction in CO ₂ e emissions per tonne of production, since 2008 | Whilst we did not achieve the CO ₂ e emissions target at the end of the calendar year 2016, we exceeded the 12.5% target at the end of March 2017. Our new US\$60 million 50 mega-watt co-generation facility in Loudon, Tennessee will further reduce our global CO ₂ e emissions. |
| Implement packaging reduction programmes with customers representing >50% of sales (£) | Programmes initiated with customers representing >50% of sales (£) | Our focus on industrial pallets achieved 100% recycling of waste wood that is reused in recycled pallets or made into landscape mulch. Introduced 100% recyclable industrial bags. |
| Implement transport efficiency programmes with customers representing >50% of sales (£) | Programmes initiated with customers representing 49% of sales (£) | We expanded the Reciprocal Wash Program. By optimising product-type shipments we are reducing the volume of hot wash water used. Partnering with key customers we are reducing water use, wastewater, energy and costs. |
| Implement sustainable agricultural sourcing programmes for our top 20 agricultural raw materials and ingredients by volume | We have programmes in place for 25 agricultural raw materials/ingredients | Building on the five stages of our Sustainable Agriculture Programme our focus has been to assess risk to understand the social and environmental impacts associated with each ingredient. Going forward, we will strengthen our programme based on risk analysis and deepen our engagement with customers and suppliers. |

New environment targets – 2017 to 2020

Building on the progress of our 2016 year-end targets, we have set three new medium-term targets out to 2020.

Reduce CO₂e emissions by 19% per tonne of production (baseline 2008)

Reduce waste to landfill by 30% per tonne of production (baseline 2008)

Implement sustainable sourcing for top 35 agricultural raw materials and ingredients by risk and spend (£)

Marketplace

The food and beverage industry is our largest market sector. Other industry sectors we sell into include industrial, animal feed and personal care.

Increasingly, investors recognise that a proactive approach to corporate responsibility is important for business success. Our customers expect us to understand and respond to the key sustainability challenges affecting their industry. Climate change, water use, packaging waste, sustainable agriculture and labour standards in the supply chain are among the most critical issues for customers and investors. We are actively putting in place programmes to address these issues.

During 2016, our customers have increasingly looked beyond their own operations to set ambitious objectives and targets to reduce the impact of their supply chain. We continue to work with our customers and our suppliers to find new ways to help them meet these objectives.

Product safety, quality and sustainability

Our products are produced to the highest quality, traceability and food safety standards. Our manufacturing facilities are externally certified to make sure they meet the Global Food Safety Initiative. Our control arrangements include: in-process testing; our global compliance audit programme; annual product traceability and recall testing scheme (globally and locally at each facility); and independent food safety audits of every manufacturing site.

We consider sustainability criteria in the development of new products. We use a sustainability evaluation tool as part of our innovation pipeline to identify any potential sustainability concerns early in the product development process. This tool also helps us assess sustainability issues during product development, helping us avoid or reduce the use of energy and non-renewable resources, and to increase positive impacts such as health and wellness benefits.

We help our customers offer their consumers healthy, nutritious food and beverages that form an important part of a balanced diet. We aim to ensure that our ingredients, and any claims we make about their benefits, are supported by clear, authoritative evidence.

Sustainable agriculture

The majority of our products are derived from agricultural raw materials. The biggest of these by volume is corn, but we also buy a large number of other ingredients, for specific applications.

In 2012, we announced our plans to introduce sustainable agricultural sourcing programmes for our top 20 agricultural raw materials (by volume) by the end of 2016.

We have established criteria for priority ingredients including corn, sugar cane, palm oil and soy-derived ingredients. Building on the five stages of our Sustainable Agriculture Programme, our focus has been to assess risk to understand the social and environmental impacts associated with each ingredient. Going forward, we will strengthen our programme to deepen our engagement with customers and suppliers.

The five stages of our Sustainable Agriculture Programme:

- 1 Risk Assessment, checking the social and environmental impacts, risks and opportunities associated with each ingredient.
- 2 Supply Chain Investigation, gathering information from suppliers on current sustainability standards and programmes in the supply chain.
- 3 Standard Setting, establishing Sustainable Sourcing Criteria for each ingredient, including mandatory and desired criteria.
- 4 Engagement, explaining criteria to suppliers and discussing how to implement them.
- 5 Monitoring to encourage continuous improvement in the supply chain, as well as checking compliance against mandatory criteria.

Building on this progress we are now extending our Sustainable Agriculture Programme, with a target to cover a total of 35 ingredients by 2020.

We continue to work closely with key customers to help them meet their targets and realise their ambitions for sustainable agriculture.

In 2014, we joined Field to Market (www.fieldtomarket.org), the US alliance for sustainable agriculture, in order to help define, measure and advance sustainability in US agriculture, particularly with regard to corn. We have been developing a farm-level sustainable agriculture project for US corn through the Field to Market programme.

Corporate Responsibility continued

Conduct of commercial relationships

Our Code of Ethics (Code) commits us to ensuring a safe, open and responsible business culture wherever we operate. We expect the same high standards from our business partners and suppliers as we do of our own employees. Our Code is available in 13 languages; it is accessible via the Company's website, our local 'Ethics and Values Ambassadors', and our various training programmes.

We support our Code with a set of Group Standards including the Group Competition (Anti-trust) Standard, the Group Gifts and Hospitality Standard, the Anti-Money Laundering and Anti-Corruption/Bribery Standard and the Agents and Commissions Standard. In 2016, our legal team provided Code training, helping colleagues uphold the Code both internally and externally.

Standards in our supply chain

Our Code is part of our terms and conditions, contracts and other supplier engagements. We expect suppliers to comply with the standards set out in our Code, and that in turn they should expect the same from their suppliers.

Our anti-slavery and human trafficking statement can be seen at the link below:

www.tateandlyle.com/anti-slavery-statement.

Reporting concerns

We encourage our employees and business partners to come forward with any information concerning actual or alleged breaches of our Code. We provide an independent, anonymous third-party reporting service in 47 countries via a free phone number and by email.

We promote this 'Speak Up' service both across the Group and externally through the Company's website. Any issues reported are investigated by members of our Speak Up Committee.

Community

We have a long and proud history of community involvement that has continued during the year.

Approach

For Tate & Lyle, community involvement is about having a positive and lasting relationship with the communities we operate in: improving lives for the better. Together with our partners, employees across the world share their time, talent and resources to make a real difference to the communities they live in. Globally, we focus our efforts in three broad areas:

- **Well-being:** We support health and wellness projects within our communities such as food accessibility schemes, nutrition education, and physical activity programmes designed to help develop healthy bodies and active minds.
- **Education:** We foster passion and creativity in young people by supporting STEM-based grants (science, technology, engineering and mathematics) for classroom teachers and student bursaries, inspiring the next generation of big thinkers.
- **Environment:** We promote environmental sustainability and good stewardship of natural resources through education and research programmes, and conservation work encouraging community connection, awareness and participation.



Employees from our Global Shared Service Centre in Łódź, Poland, helping local children to create a small garden in the city centre.



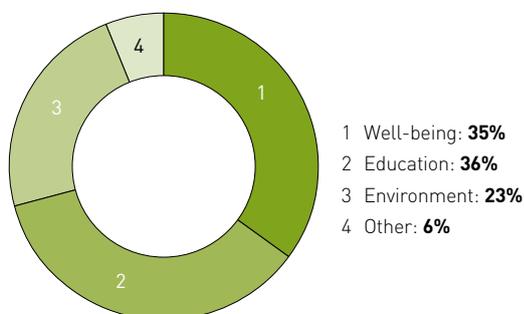
Our STEM grants support schools in the communities close to our US sites, encouraging local students to create, explore and connect with challenging science and maths concepts.

Overview of the year

In the year ended 31 March 2017, cash charitable donations were £660,000 (2016 – £529,000).

Community spend by area

Year ended 31 March 2017



Programmes and partnerships

We seek to engage with local communities where our principal facilities are located. Within the broader global framework, employees at each location can make their own decisions as to the specific projects they support and the partnerships that they develop. As a result, we support a range of initiatives and organisations in our local communities worldwide.

Well-being

Making sure that members of the communities in which we operate have enough to eat remains a global priority for us. During the year, we provided donations and support, working with local groups, to fund, collect and distribute food to those in need, working with charities such as the Northern Illinois Food Bank (www.solvehungertoday.org) in the US, and the homeless charity Crisis (www.crisis.org.uk) in the UK. We also helped support local and regional agencies who work in our communities to provide nutrition and wellness education and programming.



Volunteers from our Asia Pacific team helped to build bicycles for a school for orphans and abandoned children in Vietnam.

Education

During the year, in the US we supported STEM-focused grants and student challenges in schools close to our plants in Loudon, Decatur, Lafayette and McIntosh. We continued to provide a number of scholarships to students in the US and abroad, helping them to advance their education, and provided fellowships to university leaders in Vietnam, building capacity in higher education by increasing skills in educational leadership and governance.

Environment

Our environmental outreach work continues to focus on supporting research, educational programming and partnerships that celebrate the environment and aim to conserve resources for the future.

During the year, employees participated in various projects including a community clean-up programme in Mold, UK, and community gardening and planting campaigns in Łódź, Poland. We continued to work with the environmental research and engagement charity Earthwatch (www.earthwatch.org), with whom we are working on and supporting a long-term research project on the ecology, conservation and sustainable harvesting of seaweed in Asia. We use ingredients derived from seaweed in our Food Systems business.

The Strategic Report from pages 1 to 51 of this Annual Report was approved by the Board on 24 May 2017.

By order of the Board

Claire-Marie O'Grady
Company Secretary

24 May 2017

Board of Directors



Dr Gerry Murphy

Chairman and Chairman of Nominations Committee

Date appointed to Board: 1 January 2017
 Appointed Chairman: 1 April 2017
 Independent: Yes on appointment
 Aged: 61. Nationality: Irish

Board Committees



Skills and expertise:

Gerry started his career in the food and drinks sector and received his PhD in food technology. He has held a number of chief executive roles and has also been an investor and independent director in a number of international listed companies. His significant business and board level experience and a detailed understanding of UK corporate governance requirements enables him to provide the Board with valuable leadership.

Current external commitments:

- Chairman of The Blackstone Group's principal European entity
- Chairman of Invest Europe (until 20 June 2017)
- Non-executive director of Intertrust N.V.

Previous roles:

Senior Managing Director in Blackstone's Private Equity group (2008 to 2017). CEO of Greencore Group plc, Exel plc, Carlton Communications plc and most recently Kingfisher plc (2003 to 2008). Held non-executive directorships in British American Tobacco plc, Merlin Entertainments plc, Reckitt Benckiser plc, Abbey National plc and Novar plc.



Javed Ahmed

Chief Executive

Date appointed to Board: October 2009
 Independent: No
 Aged: 57. Nationality: Pakistani/American

Board Committees



Skills and expertise:

Javed has extensive experience of global consumer goods markets. The depth and breadth of his experience as a global business leader in multinational companies and tenure with a major strategy consulting group provides the skillset required to drive and transform an organisation, inspire its workforce and show leadership in the Company's culture and values.

Current external commitments:

- None

Previous roles:

Joined Benckiser (later Reckitt Benckiser plc) in 1992, held positions including Senior Vice President, Northern Europe; President, North America; Executive Vice President, North America, Australia and New Zealand; and Executive Vice President, Europe.



Nick Hampton

Chief Financial Officer

Date appointed to Board: September 2014
 Independent: No
 Aged: 50. Nationality: British

Skills and expertise:

Nick brings a wealth of food industry insights to the Board, leveraging his general management, financial and operational experience in senior management roles in a major multinational food and beverage business, making him a versatile operational CFO. His experience in leading transformational projects is particularly important as the Group continues its transformation.

Current external commitments:

- Non-executive director and Chairman of the Audit Committee of Great Portland Estates plc

Previous roles:

Held a number of senior roles over a 20-year career at PepsiCo, including Senior Vice President and Chief Financial Officer, Europe and President, West Europe Region and Senior Vice President Commercial, Europe.

Board Committees

Certain responsibilities are delegated to four Board Committees, details of which are provided on pages 66 to 73 and on page 87.

- | | |
|------------------------|------------------------------------|
| Audit Committee | Nominations Committee |
| Remuneration Committee | Corporate Responsibility Committee |



Liz Airey

Non-executive director

Date appointed to Board: January 2007

Independent: Yes

Aged: 58. Nationality: British

Board Committees



Skills and expertise:

Liz's experience of the London investment community is of immense value to the Board, especially when considering market communications, strategy and long-term financial planning and pensions. As Chairman and non-executive director of another London-listed company, she also brings a detailed understanding of UK corporate governance and the investment markets. Her longer tenure has provided invaluable continuity and a historical perspective throughout a period of change.

Current external commitments:

- Chairman of Jupiter Fund Management PLC

Previous roles:

Finance Director of Monument Oil and Gas plc.



Paul Forman

Non-executive director

Date appointed to Board: January 2015

Independent: Yes

Aged: 52. Nationality: British

Board Committees



Skills and expertise:

Paul has wide experience in global manufacturing, commercial, as well as strategy consultancy and M&A advisory services. He brings insight to the commercialisation of innovation pipelines and the implementation of business-to-business customer and market-led strategies in a large multinational business-to-business context. His experience as a CEO of a number of global companies enables him to provide valuable insights to the Board.

Current external commitments:

- Chief Executive of Essentra plc

Previous roles:

Group Chief Executive of Coats plc and Low & Bonar PLC. Served as a non-executive director at Brammer PLC.



Lars Frederiksen

Non-executive director

Date appointed to Board: April 2016

Independent: Yes

Aged: 58. Nationality: Danish

Board Committees



Skills and expertise:

As the former CEO of a global speciality food ingredients business, Lars led a successful business transformation and his insights will be invaluable to the Board as Tate & Lyle continues to evolve. He brings operational expertise and insights and an understanding of how to attract and retain talent in a global business.

Current external commitments:

- Chairman of Matas A/S
- Non-executive director of Falck A/S
- Chairman of the Danish Committee for Good Corporate Governance
- Chairman of the Hedorf Foundation

Previous roles:

CEO of Chr. Hansen Holding A/S from 2005 until retirement in March 2013, leading a transformation of the business and a successful listing on the Copenhagen stock exchange during that period. Prior to CEO, held various management positions at Chr. Hansen.

Board of Directors continued



Douglas Hurt

Senior Independent Director and Chairman of the Audit Committee

Date appointed to Board: March 2010

Independent: Yes

Aged: 60. Nationality: British

Board Committees



Skills and expertise:

Douglas has extensive experience as a former finance director of a global manufacturing and business-to-business engineering group, and also in senior management roles in the US and Europe, which provides the Board with valuable perspectives and insights into financial and operational issues. In addition, his understanding of the London investment community and pension matters supports the Board in its oversight and decision-making roles.

Current external commitments:

- Senior Independent Director and chairman of the Audit Committee of Vesuvius plc
- Non-executive director of BSI Group

Previous roles:

Finance Director of IMI plc and held a number of financial and operational roles, including US and European senior management positions, at GlaxoSmithKline plc.



Jeanne Johns

Non-executive director and Chairman of the Corporate Responsibility Committee

Date appointed to Board:

26 October 2016

Independent: Yes

Aged: 54. Nationality: American

Board Committees



Skills and expertise:

Jeanne's significant experience of building organisational cultures with the highest standards in safety and ethics, together with her experience in a range of global leadership roles, managing multinational businesses, and global strategic business development, will be of significant benefit to the Board. She most recently served as the Head of Safety and Operational Risk for BP's global downstream business from 2011 to 2015 and was responsible for overhauling the safety and operational risk organisation. This experience will be invaluable in her role as Chairman of the Corporate Responsibility Committee.

Current external commitments:

- Non-executive director of Parsons Corporation, a US engineering, construction, technical, and management services organisation

Previous roles:

Head of Safety and Operational Risk for BP's global downstream business from 2011 to 2015. Prior to this role, held numerous leadership roles in Europe, the US and China, managing multinational businesses and global strategic business development.



Anne Minto OBE

Non-executive director and Chairman of the Remuneration Committee

Date appointed to Board: December 2012

Independent: Yes

Aged: 63. Nationality: British

Board Committees



Skills and expertise:

Anne's extensive career in general management and human resources is particularly useful to the Board when considering succession planning, talent management, executive remuneration and other employee-related activities. She has a detailed understanding of how to attract and retain global talent and her roles on the boards of companies listed in both London and New York provide her with a detailed understanding of global executive remuneration practices and UK and US remuneration governance requirements.

Current external commitments:

- Non-executive director and chairman of the Remuneration Committee of Shire PLC
- Non-executive director of ExlService Holdings, Inc.
- Vice Chairman of the University of Aberdeen Development Trust
- Non-executive director of the Court of the University of Aberdeen

Previous roles:

Group Director of Human Resources at Centrica plc from 2002 until retirement in 2011. Prior to that, held senior management roles at Shell UK and Smiths Group plc and was Deputy Director-General of the Engineering Employers' Federation.

- A** Audit Committee
- R** Remuneration Committee
- N** Nominations Committee
- C** Corporate Responsibility Committee



Dr Ajai Puri

Non-executive director and Chairman of the Research Advisory Group

Date appointed to Board: April 2012

Independent: Yes

Aged: 63. Nationality: Indian/American

Board Committees



Skills and expertise:

Ajai's food science background and career in research and development in global food and beverage companies provides the Board with detailed technical knowledge and insights into market perceptions, nutrition and food and regulatory trends relevant to the speciality food ingredients business. His experience in the Asia Pacific region is of particular benefit as we continue to focus on growth in emerging markets. His work with regulatory bodies and knowledge of nutrition, science and food regulation provides him with the skillset required to chair the Research Advisory Group and to support the Board and Tate & Lyle with valuable insights into how leading-edge science and technology can be successfully deployed as part of the Group's Speciality Food Ingredients portfolio.

Current external commitments:

- Non-executive director of Britannia Industries Limited
- Non-executive director of Firmenich SA

Previous roles:

President – Research, Development and Product Integrity and a member of the Executive Board of Koninklijke Numico N.V. from 2003 to 2007. Prior to this, held various management positions with The Coca-Cola Company, culminating in Senior Vice President Technical, The Minute Maid Company.



Sybella Stanley

Non-executive director

Date appointed to Board: April 2016

Independent: Yes

Aged: 55. Nationality: British

Board Committees



Skills and expertise:

Sybella has extensive commercial and financial experience and brings a wealth of knowledge about the London investment community and substantial experience of communicating with this and other investment communities outside the UK. Her long career in corporate finance and M&A will be invaluable to the Board's consideration of strategic opportunities.

Current external commitments:

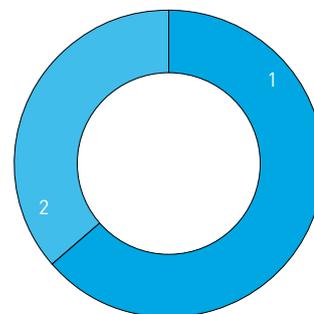
- Director of Corporate Finance at RELX Group plc
- Non-executive director of The Merchants Trust PLC
- Member of the Department of Business, Energy and Industrial Strategy's Industrial Development Advisory Board
- Member of the Somerville College Oxford Development Board

Previous roles:

Originally qualified as a barrister and, before joining RELX Group in 1997, was a member of the M&A advisory teams at Citigroup and later Barings.

Gender diversity of Directors

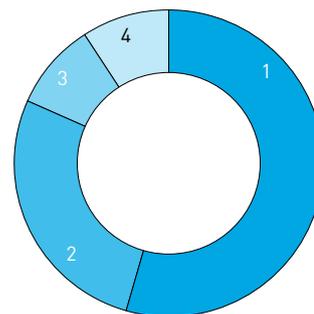
At 24 May 2017



- 1 Male **(7)**
- 2 Female **(4)**

Directors' nationalities

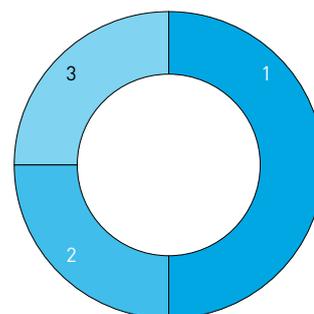
At 24 May 2017



- 1 British **(6 directors)**
- 2 American **(3 directors)**
- 3 Irish **(1 director)**
- 4 Danish **(1 director)**

Tenure of non-executive directors

At 24 May 2017



- 1 Less than 3 years **(4 directors)**
- 2 4 to 6 years **(2 directors)**
- 3 Over 7 years **(2 directors)**

Inheriting a strong governance culture



Dr Gerry Murphy, Chairman

Dear shareholder

Since joining Tate & Lyle on 1 January, I have had the opportunity to experience the strong governance culture of our Board and the seriousness with which it takes its responsibility for setting strategy, monitoring its execution and managing the Group's risks.

Board effectiveness

As Chairman, it is my responsibility to lead the Board and to ensure its effectiveness in all aspects of its remit.

The Board last undertook an externally moderated evaluation of its effectiveness in 2014. The UK Corporate Governance Code recommends such an external evaluation every three years but, in view of the succession of both Chairman and Senior Independent Director, the Board decided to proceed instead with an internal effectiveness review in the year ended 31 March 2017. I am grateful to our new Senior Independent Director, Douglas Hurt, for conducting this review and to him and the other Committee Chairs, Anne Minto and Jeanne Johns, for reviewing the work of their respective Committees. Following the changes in Board composition last year, we will undertake an external evaluation of the Board's effectiveness in the current financial year. As part of this review we will look at the alignment of our Board processes and deliberations with the strategic needs of the business in the years ahead.

Focus for the 2018 financial year

The Board continues to devote significant time to the drivers of growth in the business and the challenges and opportunities the Group faces in its markets. As such, the areas of emphasis in the coming year will include:

- Performance of the Speciality Food Ingredients business
- Programmes to strengthen further our commercial focus and execution
- Strategic initiatives, including acquisition opportunities
- Innovation pipeline
- Reviewing talent management and succession planning.

Notwithstanding our commercial priorities, operating our business responsibly and safely continues to be an overriding imperative.

Shareholder engagement

As part of my induction, I met with a number of our larger shareholders to understand their views of the business, its performance and strategic direction and I very much appreciate the insights from those conversations. The Board is committed to maintaining an open dialogue with shareholders and I, and my fellow Directors, welcome the opportunity to meet with those of you who are able to attend our Annual General Meeting on 27 July 2017.

Gerry Murphy
Chairman

Our governance structure

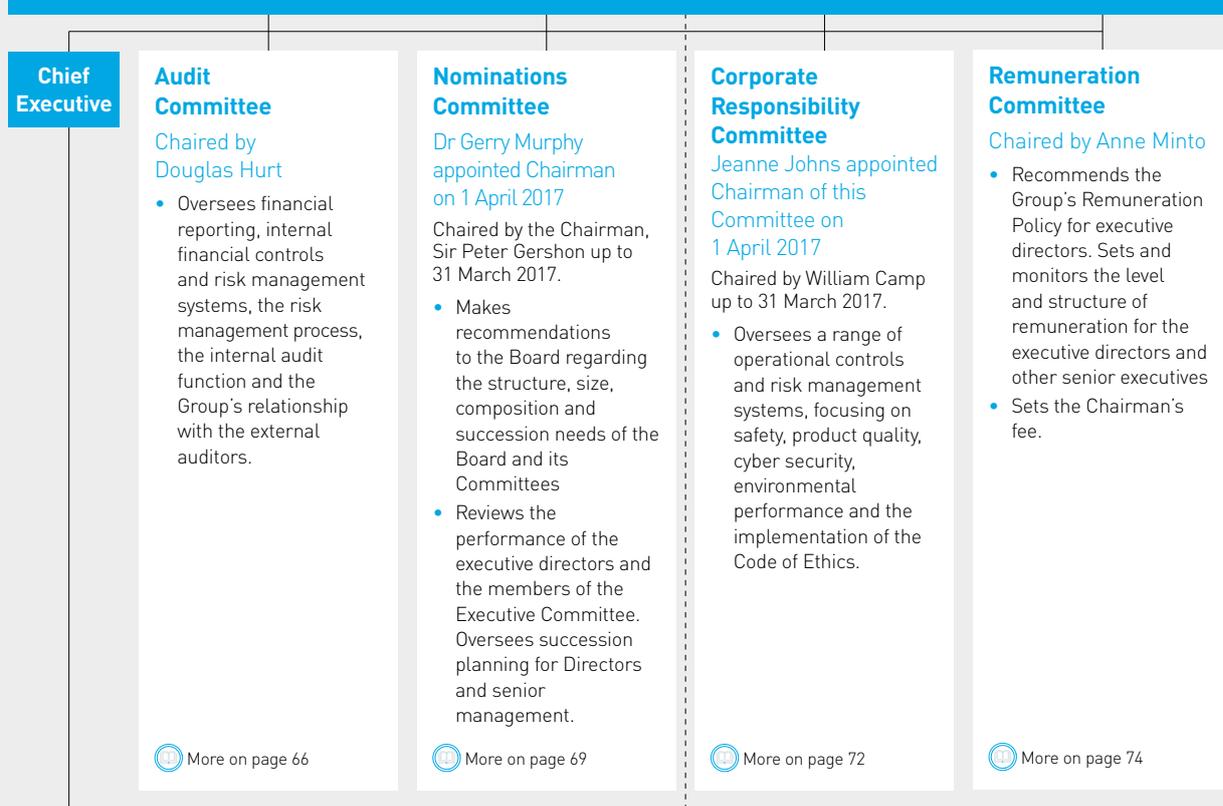
The Group's primary decision-making body is the Board. It is accountable to shareholders for the Group's financial and operational performance, and is responsible for setting the strategy and ensuring that risk is managed effectively. The Board maintains a schedule of items which it is required to consider and approve. We review this schedule regularly and update it to reflect developments in corporate governance and emerging practice.

As shown in the diagram below, the Board has delegated certain responsibilities to a number of Committees. The Board retains overall accountability and the Committee Chairmen are responsible for reporting back to the Board on the Committees' activities. Minutes of the Committees' meetings are made available to all Directors on the web-based Board portal.

The Board

Dr Gerry Murphy appointed Chairman on 1 April 2017. Chaired by Sir Peter Gershon until 31 March 2017.

- Accountable to shareholders for the Group's financial and operational performance
- Sets the Group's strategy
- Oversees management's implementation of the strategy
- Monitors the operational and financial performance of the Group
- Sets the Group's risk appetite
- Ensures that appropriate risk management systems and internal controls are in place
- Sets the Group's ethical culture and agrees the Group's Values
- Ensures good corporate governance practices are in place



Executive Committee

Chaired by Javed Ahmed

- Recommends strategic and operating plans to the Board
- Assists the Chief Executive in implementing the strategy agreed by the Board
- Monitors the performance of the two business divisions and global support functions
- Identifies, evaluates, manages and monitors risks facing the Group.

Research Advisory Group

Chaired by Dr Ajai Puri

- Comprises external experts and senior Tate & Lyle managers
- Reviews the innovation pipeline
- Provides insights into how leading-edge science and technology could enhance the portfolio of the Group's Speciality Food Ingredients business division.

The Executive Committee is supported by a number of operational committees, including the Executive Safety Steering Committee, Operations Committee, Capital Expenditure Committee, Cyber Security Committee, Business Continuity Committee, IS/IT Portfolio Review Committee and the Group Intellectual Property Committee. Committees may also be established for a finite period to oversee key strategic or operational priorities.

Key responsibilities of the Board

At the date of this Annual Report, the Board comprises the Chairman, two executive directors and eight non-executive directors. Their responsibilities are summarised below. There is a clear division of responsibilities: the Chairman leads the Board and the Chief Executive leads the business.

Chairman

Responsible for the effective operation, leadership and governance of the Board

- Chairs Board meetings, Nominations Committee meetings and the Annual General Meeting
- Sets the Board agenda with the Chief Executive and Company Secretary
- Facilitates active engagement by all Directors
- Sets the style and tone of Board discussions
- Ensures the Directors receive accurate, timely and clear information

Chief Executive

Responsible for proposing strategy to the Board and delivering it

- Runs the business
- Communicates within the organisation the Board's expectations with regard to culture, Values and behaviours
- Ensures the Board is aware of current business issues

Chief Financial Officer

Responsible for the Group's financial affairs

- Contributes to the management of the Group's business
- Supports the Chief Executive with the development and implementation of the strategy

Non-executive directors

Responsible for overseeing the delivery of the strategy within the risk appetite set by the Board

- Advise and constructively challenge the executive directors

Senior Independent Director

Responsible for ensuring that the Chairman's performance is evaluated

- Acts as a sounding board for the Chairman and supports him in the delivery of his objectives
- Serves as an intermediary with the Chairman for other Directors if necessary
- Maintains a comprehensive understanding of the major issues of shareholders and is available if shareholders have any concerns that they have been unable to resolve through the normal channels

Company Secretary

Responsible for maintaining the governance and listing rules compliance framework

- Supports the Chairman, Chief Executive and Committee Chairmen in setting agenda items for Board and Committee meetings
- Advises the Board on developments in corporate governance, legislation and regulation
- Assists the Chairman and the Chief Executive in ensuring that the Directors are provided with relevant information in a timely manner
- Organises inductions for new Directors and ongoing training for all directors

Compliance with the Code

The UK Corporate Governance Code (the Code) issued by the Financial Reporting Council in September 2014 is the standard against which we are required to measure ourselves for the year ended 31 March 2017. Throughout the year the Company has complied fully with the Code except for provision B.6.2 to do with Board evaluation. With respect to this provision, we did not use an external facilitator this year for the reason set out in the Chairman's letter on page 56.

The Code can be found at www.frc.org.uk.

Board activity during the year ended 31 March 2017

The Board holds six scheduled meetings each year at Group locations and an off-site meeting to discuss strategy. In the few instances where a Director is unable to attend a meeting, he or she provides comments in advance to the Chairman. This year's scheduled meetings were held in London at the Group's headquarters and at our Commercial and Food Innovation Centre in Chicago, USA.

Strategy

- One session focused on our operating model and capabilities, plus the execution of key growth drivers in Speciality Food Ingredients and new market trends
- Another session focused on the strategic framework and the five-year plan
- A session looked at our network optimisation strategy

Financial

- Approved the payment of the interim dividend and recommended payment of the final dividend
- Considered and agreed treasury and tax matters
- Approved the Annual Operating Plan for the year ending 31 March 2018
- Approved the Annual Report 2016, the half- and full-year results and associated announcements

Internal control and risk management

- Considered and agreed the Group's risk appetite and principal risks
- Assessed the effectiveness of our internal controls and risk management systems
- Agreed the Modern Slavery Act statement available on the Company's website
- Agreed the Viability statement as disclosed in the Annual Report 2016



Operational/ commercial

- Reviewed the performance of the two business divisions
- Approved capital expenditure projects. Considered post-investment reviews and lessons learnt
- Reviewed the development of the innovation pipeline
- Met with a customer of our Speciality Food Ingredients business in North America to understand the customer's perspective on the innovation process and scope for further collaboration in the future

Leadership and employees

- Approved the appointment of Jeanne Johns as non-executive director, Dr Gerry Murphy as non-executive director and Chairman-designate, and Douglas Hurt as the Senior Independent Director
- Discussed the Group's safety performance
- Convened an additional Board meeting to focus on safety after the accident at one of our US sites, including a review of the status of the investigation into the root cause of the accident, consideration of an internal review of safety in the grain network and a proposal for an external review of safety across the Group
- Reviewed the results of the Group-wide employee engagement survey and proposed follow up actions

Governance and stakeholders

- Considered the output and recommendations from the Board effectiveness review
- Reviewed and approved Directors' conflicts of interest
- Discussed feedback from institutional shareholders and analysts
- Received updates on developments in corporate governance and the impact of regulatory changes on the Group, in particular the Market Abuse Regulations

Effectiveness

The Board reviews the balance of experience, skills, gender and diversity of thinking styles around the boardroom table regularly to ensure that the composition of the Board and its Committees is appropriate for the Group as it continues to evolve and implement the strategy. The Board and its Committees carry out a formal effectiveness review process once a year which provides new insights into the operation of the Board and areas for development or particular focus.

Board composition

At the date of this Annual Report, the Board comprised 11 directors with deep knowledge and experience in diverse business sectors within global markets: the Chairman, who has no executive responsibilities; two executive directors; and eight non-executive directors. The names, skills and experience of the Directors are set out on pages 52 to 55.

Appointments to the Board

The Nominations Committee has responsibility for the appointment of non-executive and executive directors and recommends new appointments to the Board. During the year, the Nominations Committee carried out a search exercise for two additional non-executive directors (including the Chairman-designate). The Board approved the Nominations Committee's recommendations and Jeanne Johns and Dr Gerry Murphy joined the Board on 26 October 2016 and 1 January 2017 respectively. Further details about the appointment process are set out in the Nominations Committee report on pages 70 and 71.

Directors' induction programme

On appointment, Jeanne Johns and Dr Gerry Murphy received background reading about the Group and details of Board procedures and other governance matters. The Company Secretary then worked with each Director to tailor the induction programme, which covers strategy, operations (including safety and environmental performance), risk management and internal control. An overview of their programmes to date is set out below.

| Director | Aim of induction programme | Details of programme to date |
|-----------------|--|--|
| Jeanne Johns | To increase Jeanne's knowledge of the Group's processes and people and the UK-listed company environment | Jeanne visited our global Commercial and Food Innovation Centre in Chicago, USA, our corn wet milling plants in Decatur, Lafayette South and Sagamore, grain elevators and the London head office. At these sites she met a number of senior operational managers and key functional heads. |
| Dr Gerry Murphy | To increase Gerry's knowledge of the Group's strategy, business, processes, people and financial control environment | Gerry has visited eight sites including our global Commercial and Food Innovation Centre in Chicago, USA where he met with senior operational managers and key functional heads to gain a detailed understanding of the Group. He also met key shareholders and external advisors while he was Chairman-designate. |

Re-election of Directors

The Code provides that all Directors should seek re-election on an annual basis and all Directors, with the exception of Liz Airey, will seek re-election at the forthcoming AGM. The Directors standing for re-election, with the exception of Javed Ahmed and Nick Hampton, do not have service contracts. Each Director goes through a formal performance review process as part of the annual Board effectiveness review. All Directors completed this process during the year and, in line with the Code, Douglas Hurt, who has served for over six years, has been subject to a particularly rigorous review.

Independence

The Code provides that the Board should state its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the Director has served on the Board for more than nine years from the date of his or her first election.

With the exception of Dr Gerry Murphy, who, as Chairman, is presumed under the Code not to be independent, the Board considers all the non-executive directors who are seeking re-election to be independent.

Directors' interests

During the year, no Directors had a material interest in any contract with the Group, being a contract of significance in relation to the Group's business. A statement of Directors' interests in Company shares is set out on page 97.

2017 Board effectiveness review

In the ordinary course of business, the Board would have carried out an externally facilitated review of its effectiveness this year. However, in view of the number of changes to the Board, in particular the appointment of the Chairman-designate and the change in Senior Independent Director, the Directors agreed to defer the externally facilitated review until after the appointment of the new Chairman. This review will take place in the 2018 financial year instead.

This year, Douglas Hurt, the Senior Independent Director from 1 January 2017, led the internal review of Board effectiveness with support from the Company Secretary. The process involved the preparation of two questionnaires. The first focused on the strategic framework, progress and priorities and the other on Board mechanics, agenda and general effectiveness. The output from the questionnaires was summarised in a report that was discussed by the Board. From this, the Directors concluded that they are satisfied that the Board and its Committees continued to operate effectively and agreed a number of action points, including:

- Reviewing the remits of the Audit Committee and Corporate Responsibility Committee to address any areas of potential overlap
- Considering opportunities to align management and Board information reporting to minimise multiple reporting formats
- Identifying more time in the Board calendar to focus on the strategy to deliver progression towards the 2020 Ambition.

Directors' attendance at Board meetings during the year

| Directors as at 31 March 2017 | Number of meetings attended | Number of meetings eligible to attend |
|-------------------------------|-----------------------------|---------------------------------------|
| Sir Peter Gershon | 7 | 7 |
| Dr Gerry Murphy ¹ | 2 | 2 |
| Javed Ahmed | 7 | 7 |
| Nick Hampton | 7 | 7 |
| Liz Airey | 7 | 7 |
| William Camp | 7 | 7 |
| Paul Forman | 7 | 7 |
| Lars Frederiksen ² | 6 | 7 |
| Douglas Hurt | 7 | 7 |
| Jeanne Johns ³ | 4 | 4 |
| Anne Minto | 7 | 7 |
| Dr Ajai Puri | 7 | 7 |
| Sybella Stanley | 7 | 7 |

1 Appointed as a Director with effect from 1 January 2017.

2 Unable to attend one meeting due to a pre-existing commitment.

3 Appointed as a Director with effect from 26 October 2016.

Review of the Committees

In addition to the Board effectiveness review, the chairman of each of the Committees facilitated a review of his or her own Committee's effectiveness. These reviews confirmed that all Committees continue to provide effective support to the Board. Areas for further focus are noted in the individual Committee reports.

Review of individual Directors

Dr Gerry Murphy led performance reviews of the non-executive directors, while the Nominations Committee reviewed the performance of the Chief Executive, Chief Financial Officer and the other members of the Executive Committee, in line with its terms of reference. These reviews confirmed that each Director continues to make an effective contribution to the Board's work and is well-prepared and informed about issues they needed to consider. In each case, their commitment remains strong.

Professional development and independent site visit programme

Directors receive ongoing training and updates on relevant issues as appropriate, taking into account their individual qualifications and experience. The Company Secretary helps Directors undertake any other professional development they consider necessary to assist them in carrying out their duties.

During the year, in addition to the Board's visits to the Commercial and Food Innovation Centre in Chicago, USA, the Chairman and/or various of the non-executive directors visited five of the Group's sites in Europe and four of the Group's sites in the US as part of their independent site visit, or induction, programmes. These visits provide Directors with the opportunity to interact with local management and to gain in-depth knowledge about the opportunities and challenges for the Group's operations across the world.

Advice and support

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board follows due process, and that the Company complies with applicable rules and regulations.

There is also a formal procedure whereby Directors can obtain independent professional advice, if necessary, at the Company's expense.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. As permitted under the Companies Act 2006, the Company's Articles of Association allow Directors to authorise conflicts of interest and the Board has an established policy and set of procedures for managing and, where appropriate, authorising, actual or potential conflicts of interest.

The key elements of those procedures are as follows:

- Directors are required to disclose proposed new appointments to the Chairman before taking them on, to ensure that any potential conflicts of interest can be identified and addressed appropriately, for instance through the agreement and implementation of guidelines and protective measures regarding the ongoing management of any situational conflict
- Directors are required to declare other situations which could result in a potential conflict of interest
- Any potential conflicts of interest in relation to proposed Directors are considered by the Board prior to their appointment
- The Board reviews Directors' actual or potential conflicts of interest at least annually.

During the year, the Board assessed and approved potential conflicts, together with guidelines and protective measures as appropriate.

Directors' indemnities and insurance cover

As at the date of this Annual Report, the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company and any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator, provided that where the defence is unsuccessful the Director must repay those defence costs. These indemnities are qualifying indemnity provisions for the purposes of Sections 232 to 234 of the Companies Act 2006, and copies are available for inspection at our registered office during business hours on any weekday except UK public holidays. Equivalent indemnities remain in force for Sir Peter Gershon and William Camp who ceased to be Directors on 31 March 2017.

The Company also maintains Directors' and officers' liability insurance cover, and reviews the level of cover each year.

Accountability

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving the Group's strategic objectives and for maintaining sound risk management and internal control systems.

Risk management and internal control

A formal process is in place which aims to identify and evaluate risks and how they are managed, further details of which are set out on pages 38 and 39.

The objective of the internal control system is to protect the Group's assets and reputation and to ensure the reliability of financial information for both internal use and external publication. The systems of internal control and risk management cannot eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

An overview of the Group's internal control system is set out on page 63 with details of those people or functions responsible for managing or monitoring risks set out on page 64.

2017 review of the effectiveness of the system of internal control

The Board monitors the effectiveness of the Group's systems of internal control and risk management throughout the year. Once a year, the Board, supported by the Audit and Corporate Responsibility Committees, conducts its own review of the effectiveness of the systems of risk management and internal control. As last year, the 2017 review was facilitated by Group Audit and Assurance and covered the period from the start of the financial year to the date of this Annual Report. The process included a two-stage review to facilitate discussion, with the Audit and Corporate Responsibility Committees discussing the results of the review at their meetings in March and May 2017. The Board then discussed the output at its meeting in May 2017.

The 2017 review covered financial, operational and compliance controls, Values and behaviours, and the risk management process, and included questionnaires and representation letters completed by management. Group Audit and Assurance monitored and selectively checked the results of the review, ensuring that the responses from management were consistent with the results of its work during the year. As part of this process, areas for enhancements to internal controls, and associated action plans to deliver them, were identified. Delivery of these enhancements is being monitored by the Audit Committee or Corporate Responsibility Committee as appropriate.

The Board considers that none of the areas identified for improvement constituted a significant weakness.

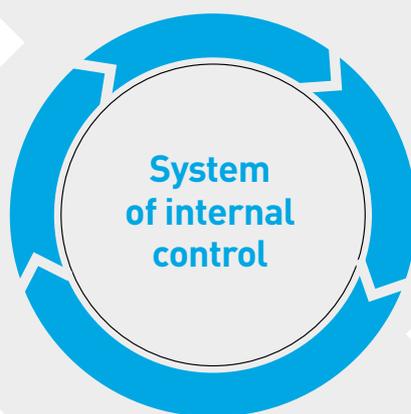
Key features of the internal control system

Monitoring controls

- Controls monitoring by dedicated teams covering, for instance, finance, safety, product quality, intellectual property and cyber security
- Framework of reviews by appropriately qualified people

Information and communication controls

- Board and Executive Committee reporting framework
- Communication protocols for external communications
- Whistleblowing process



The system has four broad areas

Risk assessment

- Risk assessments are undertaken as part of 'business as usual' as well as through a more formalised Enterprise Risk Management process

Tone from the top and business environment controls

- The Values framework (see page 42)
- The Group policies framework
- Business performance management processes, covering planning, budgeting and performance
- Schedule of matters reserved to the Board and terms of reference for Board Committees
- A clear organisational structure with responsibility, accountability and limits of authority clearly defined for employees
- Segregation of duties of employees

Financial reporting internal control system

This system covers the financial reporting process and the Group's process for preparing consolidated accounts. It includes policies and procedures which require:

- The maintenance of records that, in reasonable detail, accurately and fairly reflect transactions including the acquisition and disposal of assets
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards
- Reasonable assurance regarding the prevention or timely detection of unauthorised use of the Group's assets.

We also have specific disclosure controls and procedures around the approval of the Group's financial statements. Twice a year, representatives from the business units certify that they have complied with the minimum control standards and that their reported information provides a true and fair view of the state of the financial affairs of their division and its results for the period. The results of this financial disclosure process are reported to the Audit Committee.

Speak Up (whistleblowing)

Speak Up, the Group's whistleblowing programme, has been in place for a number of years in all operations controlled by the Group. This programme, which is monitored by the Audit and Corporate Responsibility Committees, is designed to enable employees, contractors, customers, suppliers and other stakeholders to raise concerns confidentially about conduct they consider contrary to the Group's Values. It may include, for example, unsafe or unethical practices, or criminal offences.

The Speak Up programme provides a number of ways to raise concerns including a telephone reporting line, email, and a web-based reporting facility. These multilingual communication channels are operated by independent service providers who submit reports to the Speak Up Committee for investigation as necessary.

Reports received during the year were kept strictly confidential and the concerns identified were referred to appropriate managers within the Group for resolution. Where appropriate, action was taken to address the issues raised. The reports were analysed and monitored to ensure the process continued to be effective. The Audit and Corporate Responsibility Committees received analysis of all reports submitted via the Speak Up programme during the year.

Corporate Governance continued

Internal control system

| Body | Responsibilities |
|--|--|
| The Board | <ul style="list-style-type: none"> • Determines the level of risk that it is prepared to accept in the business (risk appetite) • Agrees the Group's principal risks for disclosure in the Annual Report • Oversees the strategies for managing principal risks |
| Audit and Corporate Responsibility Committees | <ul style="list-style-type: none"> • Review aspects of the risk management and internal control systems and report to the Board • Discuss regular reports from the VP, Group Audit and Assurance (internal audit) • Carry out a formal review of the effectiveness of the internal control and risk management systems and report to the Board on the output of that review at least once a year |
| Executive management | <ul style="list-style-type: none"> • Works within the risk appetite and develops the mechanisms and processes to direct the organisation, through setting the tone and expectations from the top, delegating authority and monitoring compliance |
| Line management | <ul style="list-style-type: none"> • Manages risk and ensures that mitigation is operated across the business which is appropriate and in accordance with the accountability framework • Has primary responsibility for compliance with Group policies, our Values and legal requirements • Within certain functions, notably safety and product quality, separate assurance teams oversee the effective operation of controls |
| Employees | <ul style="list-style-type: none"> • Manage risks within their predefined accountabilities • Are trained on, for example, safety, cyber security, competition law and anti-bribery and corruption to increase their awareness of risks (training may be tailored and/or mandatory) |
| Group risk manager | <ul style="list-style-type: none"> • Works with executive and line management to help identify, measure, mitigate, monitor and report principal risks |
| Risk management committees | <ul style="list-style-type: none"> • Review certain risks and controls and monitor initiatives to strengthen controls • Comprise senior management and functional specialists • Examples include the Cyber Security Steering Committee which considers cyber security risks and the Treasury Risk Committee which focuses on financial risks |
| Global Audit and Assurance (internal audit) | <ul style="list-style-type: none"> • Provides objective assessment of the appropriateness and effectiveness of the Group's internal control systems to the Audit and Corporate Responsibility Committees, and to the Board • Has the authority to review any relevant aspect of the business and a duty to report on any material weaknesses • Develops and works to a risk-based internal audit plan which is approved by the Audit and Corporate Responsibility Committees and which is regularly updated |
| External specialists | <ul style="list-style-type: none"> • Commissioned by the Board from time to time to supplement internal processes as appropriate |

Engagement with shareholders and others

We are committed to maintaining an open dialogue with shareholders, debt investors and potential investors and recognise the importance of that relationship in the governance process.

We have a focused investor relations programme that aims to help existing and potential investors understand the Group. We provide feedback from the investment community to all Directors regularly to ensure they understand the views expressed by major investors.

Institutional investors

The Chief Executive, Chief Financial Officer and VP, Investor and Media Relations maintain a regular programme of meetings with institutional shareholders in the UK, Europe and North America.

After joining the Board on 1 January 2017, Dr Murphy held meetings with a number of institutional shareholders. The Chief Financial Officer and VP, Investor and Media Relations attended a group meeting arranged by the UK Shareholders' Association during the year. Anne Minto, Chairman of the Remuneration Committee, met with governance representatives of a number of the Company's principal investors and discussed remuneration matters (see page 84 for more information). All Directors received periodic updates on investor activity and meetings.

Analysts

As well as the full-year and half-year results presentations to investors and analysts, we host conference calls after each trading update. We publish any presentations, together with the associated announcements, on the Company's website and we also make any audio recordings available for a short period after each event. The Chief Financial Officer and VP, Investor and Media Relations also meet regularly with analysts.

Independent feedback on our investor relations programme

Each year, an external investor relations advisor undertakes a comprehensive review of investor perceptions of the Group, management, strategy and communications. The output from this review was presented to the Board in November 2016 and actions taken forward by management. Recommendations included a re-focusing of the Group's investor targeting programme in North America, and increasing the time the Chief Financial Officer spends with analysts.

Other capital providers

The Chief Financial Officer and Group Treasurer regularly meet with our committed lending banks and bond holders and ratings agencies (Standard & Poor's and Moody's).

Private (retail) shareholders

We encourage private shareholders to provide feedback to the Board via the Company Secretary. We also include a questions card with the AGM documentation sent to shareholders so that those who cannot attend the meeting have the opportunity to ask questions.

Annual General Meeting

The AGM provides all shareholders with the opportunity to question the Board on matters put to the meeting, including this Annual Report. Shareholders who attended last year's AGM received a presentation from the Chief Executive on the Group's activities and performance and also had the opportunity to sample some of our ingredients after the meeting.

The 2017 AGM will be held at The QEII Centre in London on Thursday 27 July 2017 at 11.00 am. Full details are set out in the Notice of AGM. Resolutions are decided by means of a poll and the votes received in respect of each resolution, together with the number of abstentions, are announced through a regulatory information service and published on the Company's website. Shareholders can choose to receive shareholder documentation, including the Annual Report, electronically or in paper format, and may submit proxy votes and any questions either electronically or by post.

Investor calendar

April 2016

- Trading update issued
- Remuneration Committee Chairman consultation programme

May 2016

- Full-year results issued

June 2016

- Investor roadshow meetings in the UK
- Annual Report published

July 2016

- Trading statement issued
- Annual General Meeting in London
- Investor group meeting in London

September 2016

- Investor meetings in Switzerland and Ireland
- Investor conference in London

November 2016

- Half-year results issued
- Investor roadshow meetings in the UK and US
- Investor conferences in New York and London

December 2016

- Investor meetings in the US
- North American investor group meeting in London
- Investor group meeting in London

January 2017

- UK Shareholders' Association arranged group investor meeting
- Chairman-designate meeting with investors

February 2017

- Trading statement issued
- Investor meetings in London
- Chairman-designate meeting with investors

March 2017

- Chairman-designate meeting with investors
- Investor meetings in the US

Audit Committee Report



Douglas Hurt, Chairman of the Audit Committee

This year, we continued our practice of looking in depth at certain aspects of the control environment.

Dear shareholder

This report aims to provide an insight into the work of the Audit Committee and how we fulfilled our responsibilities during the year.

In addition to our usual matters, including the financial results for the full year and half year, applicable accounting policies and going concern assumptions, we continued with our practice of looking in depth at certain aspects of the control environment. These included commodities risk management, an impact assessment of new accounting standards, in particular IFRSs 15 and 9, and a review of our Global Shared Services Centre in Łódź, Poland. Finance and operational leaders attended the meeting for these detailed reviews.

As disclosed previously, we aim to appoint new external auditors for the financial year ending 31 March 2019, to coincide with the rotation of the incumbent audit engagement partner. We have started the tender process and I will report the outcome to you when we have completed it.

During the year, I held separate one-to-one meetings with the Chief Financial Officer, the VP, Group Audit and Assurance and PwC, our external auditors. These meetings enabled me to probe any issues and areas of concern, to ensure that my fellow Committee members had an appropriate level of information, and that we had enough time to devote to the issues in our formal meetings.

Looking ahead, we will continue to focus on the impact of the evolving nature of the Group on our accounting policies and practices, and associated disclosure. In addition, we will maintain our programme of in-depth reviews of the control environment.

I look forward to meeting you at our forthcoming AGM on 27 July 2017.

Douglas Hurt
Chairman of the Audit Committee

Committee governance

Responsibilities

The Committee assists the Board by overseeing financial reporting, internal controls, the risk management process, the internal audit function (Group Audit and Assurance) and our relationship with the external auditors. Further details of its responsibilities are in the Committee's terms of reference, on the Company's website, www.tateandlyle.com.

Composition

During the year, the Committee comprised five independent Directors. All members have extensive management experience in large international organisations and bring a wide range of financial and commercial experience from various industries. The Code stipulates that at least one Committee member should have recent and relevant financial experience. Two members met this requirement: Douglas Hurt was Finance Director at IMI plc and is a Fellow of the Institute of Chartered Accountants in England and Wales, and Liz Airey was an investment banker and former finance director of Monument Oil and Gas plc. The Company Secretary is the secretary to the Committee.

Meetings during the year

Meetings are generally scheduled in line with key times in the Group's financial reporting calendar. The Committee held five scheduled meetings during the year. Attendance during the year was as follows:

| Directors as at 31 March 2017 | Date of appointment to the Committee | Number of meetings attended | Number of meetings eligible to attend |
|-------------------------------|--------------------------------------|-----------------------------|---------------------------------------|
| Douglas Hurt (Chr) | 9 March 2010 | 5 | 5 |
| Liz Airey | 1 January 2007 | 5 | 5 |
| Paul Forman | 1 January 2015 | 5 | 5 |
| Anne Minto | 1 December 2012 | 5 | 5 |
| Sybella Stanley | 1 April 2016 | 5 | 5 |

The Committee has also met once since the end of the financial year and prior to the signing of this Annual Report.

The Chief Financial Officer; VP, Group Audit and Assurance; Group VP, Finance and Control; Executive VP, General Counsel; and representatives of the external auditors are normally invited to and attend each meeting. The Chairman of the Board and Chief Executive are also invited to and attend Committee meetings. In addition, senior finance and operational leaders attend and present to the Committee on an ad hoc basis, depending on the issues being discussed.

Effectiveness

The Committee Chairman and Company Secretary led a review of the Committee's effectiveness and the output was discussed by the Committee. This concluded that the Committee continued to operate effectively and identified a number of areas to focus on during next year's deep dive programme, including treasury, business performance management, the finance function of the Speciality Food Ingredients division and further aspects of our Commodities operations.

Work undertaken during the year

The Committee maintains a calendar of items for consideration at each meeting and reviews and updates it regularly. As well as the work referred to above, the Committee focused on four main areas: financial reporting; oversight of the external auditors; oversight of the internal audit function; and internal control and risk management.

Financial reporting

At each of its meetings, the Audit Committee reviewed and constructively challenged the accounting judgements and disclosures set out in the papers prepared by management and determined, with the help of the external auditors, the appropriateness of these. The significant issues considered by the Committee in relation to this year's financial statements are listed on page 68.

The Committee also considered management's review of reported and adjusted earnings, and satisfied itself that significant one-off items of income and expense had been correctly classified and appropriately disclosed. Papers on the Group's existing and emerging litigation risks were also considered.

External auditors

PwC (or its predecessor firms) have been the Group's auditors since 1989. The lead audit partner is rotated every five years. The current lead audit partner, John Waters, has been in post since the audit for the year ended 31 March 2014. Accordingly, he is due to rotate off at the conclusion of the audit for the year ending 31 March 2018.

In accordance with the Competition and Markets Authority Order and the Committee's terms of reference, the Committee Chairman, on behalf of the Committee, negotiated and agreed the fee and scope of the statutory audit for the year ended 31 March 2017.

Safeguarding the auditors' independence

The Committee operates a policy to safeguard the objectivity and independence of the external auditors. This policy sets out certain disclosure requirements by the external auditors to the Committee; restrictions on the employment of the external auditors' former employees; and partner rotation.

During the year, the Committee reviewed the processes that the external auditors have in place to safeguard their independence, and received a letter from the external auditors confirming that, in their opinion, they remained independent.

Provision of non-audit services

The policy also sets out the circumstances in which the external auditors may be permitted to undertake non-audit services and the services which are not permitted under any circumstances, such as the provision of remuneration advice and internal audit outsourcing.

The Committee reviews the policy each year and considers quarterly reports which set out the ongoing non-audit services provided by the auditors and the fees incurred. During the year, we reviewed and updated the policy on non-audit services in accordance with the Revised Ethical Standard 2016 published by the Financial Reporting Council. Under our new policy, the Chief Financial Officer has authority to approve the permitted services up to £10,000 and the Chairman of the Committee has authority to approve up to £100,000. In all other cases, the Committee must approve any proposed, permitted, non-audit services.

A breakdown of the fees paid to the external auditors in respect of audit- and non-audit related work is included in Note 9.

The total amount paid in respect of the Group audit and audit of subsidiaries was £2.4 million, and £0.1 million was paid in respect of non-audit-related services. Fees paid in respect of non-audit-related services therefore comprised 4% of the total fees paid to PwC.

Effectiveness of the external auditors

Following the conclusion of the audit for the year ended 31 March 2016, the Committee conducted an internal review of the effectiveness of the external auditors. As part of the process, the Committee reviewed the auditors' performance against criteria set at the start of the audit, together with feedback from management at Group and divisional levels. It also considered:

- The most recent report by the Financial Reporting Council (FRC) in May 2016 on the audit quality inspection of PwC. The priority sectors for inspection in this report included the sector the Group operated in i.e. the food, drink and consumer goods sector
- The FRC's guidance on evaluating audit quality which suggested reviewing the external auditors' competence in the following areas:
 - making appropriate judgements about materiality
 - identifying and focusing on the areas of greatest risk
 - designing and carrying out effective audit procedures
 - understanding and interpreting the evidence they obtain
 - making reliable evaluations of that evidence
 - reporting clearly and honestly.

The Committee concluded that the external audit process was operating effectively and that PwC continued to provide effective and independent challenge to management. The review identified a number of recommendations where we could improve processes including planning and communication for the US component audit, and these were implemented and incorporated into the criteria set for the audit for the current year. The Committee discussed progress against these criteria regularly.

Corporate Governance continued

Significant accounting matters considered by the Committee

| Issues | Background | Committee's activities and conclusion |
|-------------------------------|--|--|
| Commodity risk | We use commodity contracts to manage and hedge our corn positions in the US. The valuations of the corn book and the co-products produced as part of the corn wet milling process, which are both underpinned by a number of judgements, have a material impact on the reported results of the Group. | The Committee received regular updates on the key commodity risks and the risk management framework in place to mitigate these risks. The Committee also considered the work performed by the external auditors before concluding that the judgements made in determining the valuations of the corn and co-products positions were appropriate. This will continue to be a key area of focus for the Committee in the coming year. |
| Taxation | We operate and pay taxes in a number of jurisdictions, which requires the interpretation of complex tax law. As such, we make provision for potential direct tax exposures with local tax authorities and reassess this as necessary at the half-year and year-end. Our assessment is underpinned by a range of judgements from tax professionals and external advisors. | <p>The Committee reviewed the Group's principles and processes for managing tax risks during the year and reviewed the key judgements made in estimating the Group's tax charge along with the key disclosures, including a statement of tax principles, set out on page 34 and in Note 12. The Committee was satisfied that the judgements made in estimating the Group's tax charge were reasonable, and that the disclosures were appropriate.</p> <p>The key factors likely to affect the future tax charge, as well as the key risks and uncertainties, were considered and the Committee agreed the disclosure of these factors in this Annual Report.</p> <p>The Committee considered the treatment of material tax transactions undertaken during the year, and concluded that the measurement and disclosure of these, including the transfer of certain sucralose intellectual property assets to the US and the UK deferred tax asset recognised following changes to our internal financing structure, were appropriate.</p> |
| Retirement obligations | We have significant retirement benefit obligations in the UK and the US, including unfunded retirement medical plans in the US. A number of judgements have to be made when calculating the fair value of the Group's legacy retirement obligations. | The Committee discussed and constructively challenged the assumptions proposed and methodologies used by management and considered reports from the external auditors before agreeing that the assumptions were reasonable. |
| Impairments | We test all goodwill for impairment annually, and, additionally, test all assets where there has been a previous impairment or where an indicator of potential impairment is considered to exist. | The Committee reviewed the annual goodwill impairment assessment. The future performance of the underlying businesses, including the discount rates used and forecast assumptions and sensitivities, were discussed and constructively challenged. The Committee concluded that the assumptions were acceptable, and the conclusions, including the net £13 million impairment in respect of Tate & Lyle Gemacom Tech Indústria e Comércio S.A., were appropriate. |
| Viability statement | The Code provides that the Directors should explain in the Annual Report how they have assessed the prospects of the Group, including the appropriateness of the period used in this assessment. | The Committee discussed the appropriateness of the assessment period and the scenarios to stress-test the business model ahead of the full assessment by the Board. The Directors subsequently concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment. |

Tenure of the external auditors

The Competition and Markets Authority's order issued in October 2014 requires FTSE 350 companies to tender their statutory audit engagement at least every ten years. In addition to this, EU regulations require that audit firms of all EU companies listed on a regulated market rotate off after 20 years.

Under the transitional provisions attached to the EU rules, we would be required to change auditors for the next audit appointment after 17 June 2020. As set out in the introduction from the Committee Chairman, the process for an external audit tender has begun and our intention is to have the new auditors in place for the financial year ending 31 March 2019.

The Committee has recommended to the Board that PwC continues to act as auditors to the Group for the year to 31 March 2018. PwC has indicated its willingness to continue in office; resolutions on the reappointment of PwC and authorising the Audit Committee on behalf of the Board to determine PwC's remuneration will be proposed at the AGM.

The Audit Committee considers that the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

Internal audit – Group Audit and Assurance

Group Audit and Assurance is an internal review function that services the Board and all levels of management. It provides objective assurance to add value and improve the organisation's operations. Its responsibilities include assessing the principal risks of the organisation and examining, evaluating and reporting on the adequacy and effectiveness of the systems of risk management and internal control as operated by management. Management remains responsible for identifying risks and for the design and operation of controls to manage risk. During the year, the Committee reviewed the remit, organisation, annual plan, resources and effectiveness of Group Audit and Assurance and concluded that the function continued to operate effectively. It is the intention to assess the effectiveness of the Group Audit and Assurance function using an external party in the 2018 financial year as the last third-party review was undertaken in the 2014 financial year.

Internal control and risk management

The Committee continued to receive and consider regular reports from management and the VP, Group Audit and Assurance on the effectiveness of the Group's risk management system during the year.

The reports from the latter included the findings from reviews of internal financial controls and actions to address any weaknesses in those controls. The Committee also reviewed the operation of our independent confidential reporting line, Speak Up. Throughout the year, the Committee focused in particular on strengthening the financial control environment and the impact of this on the financial reporting processes. The Committee reviewed controls to mitigate fraud risk and the Group assurance map, a tool which sets out the assurance processes and the three lines of defence model. It also considered the results of the annual review of the effectiveness of internal financial reporting controls, which took into account the Group Risk Manager's support to the risk management process, and then reported to the Board. Further details about this review are on page 62.

Nominations Committee Report



Dr Gerry Murphy, Chairman of the Nominations Committee

This year we will further strengthen our processes and planning for succession at and below the Board.

Dear shareholder

I am pleased to take on the role of Chairman of the Nominations Committee and to work with my fellow Committee members over the coming years to ensure that the Board continues to have the appropriate structure, size and composition to progress the delivery of the Group's strategy.

After a year in which the Committee focused on Chairman succession and the appointment of a new non-executive director, Jeanne Johns, our focus this year will be on further strengthening our processes and planning for talent management and succession at and below the Board.

I feel privileged to have joined a Board which is well balanced in terms of ethnic and gender diversity and clearly recognises the benefits that such diversity brings. The Board has considered the recent Hampton-Alexander Review into gender diversity and the Parker Review into ethnic diversity and will pay careful attention to these important reports when considering the effectiveness of our succession planning and talent management processes throughout the organisation.

Gerry Murphy
Chairman

Corporate Governance continued

Committee governance

Responsibilities

The Committee assists the Board by reviewing the size and composition of the Board, including succession planning, and the leadership needs of the Group generally, recommending candidates for appointment as directors and as Company Secretary and reviewing annually the performance of each member of the Executive Committee. Further details on its responsibilities are in the Committee's terms of reference, on the Company's website, www.tateandlyle.com.

Composition

During the financial year under review, the Committee comprised the Chairman of the Company, the Chief Executive and all independent Directors. The Company Secretary is the secretary to the Committee.

Meetings during the year

Meetings are generally held around the time of scheduled Board meetings. The Committee held four scheduled meetings during the year and also met on four additional occasions to discuss the progress of the search for an additional non-executive director and a new Chairman.

Attendance during the year was as follows:

| Directors as at 31 March 2017 | Date of appointment to the Committee | Number of meetings attended | Number of meetings eligible to attend |
|-------------------------------|--------------------------------------|-----------------------------|---------------------------------------|
| Sir Peter Gershon (Chr) | 1 February 2009 | 5 | 5 |
| Dr Gerry Murphy | 1 January 2017 | 2 | 2 |
| Javed Ahmed | 1 October 2009 | 8 | 8 |
| Liz Airey | 1 January 2007 | 8 | 8 |
| William Camp | 1 May 2010 | 8 | 8 |
| Paul Forman | 1 January 2015 | 8 | 8 |
| Lars Frederiksen ¹ | 1 April 2016 | 6 | 8 |
| Douglas Hurt | 9 March 2010 | 8 | 8 |
| Jeanne Johns | 26 October 2016 | 4 | 4 |
| Anne Minto | 1 December 2012 | 8 | 8 |
| Dr Ajai Puri | 1 April 2012 | 8 | 8 |
| Sybella Stanley | 1 April 2016 | 8 | 8 |

¹ Unable to attend due to a pre-existing commitment.

The Executive VP, Human Resources and the VP, Global Talent are invited to attend and present to the Committee on an ad hoc basis, depending on the issues being discussed.

Effectiveness

Sir Peter Gershon, the Committee Chairman up to 31 March 2017, led a review of the Committee's effectiveness and the output was discussed by the Committee. This concluded that the Committee continued to operate effectively.

Work undertaken during the year

The Committee maintains a calendar of items for consideration at each meeting and reviews and updates it regularly.

Board succession planning

Appointment of Dr Gerry Murphy

After seven years as the Chairman of the Company, Sir Peter Gershon indicated his desire to begin the process to identify his successor. Liz Airey, the Senior Independent Director at the time, led the search. The Committee retained Spencer Stuart to assist it with the search. Spencer Stuart is a signatory to the Voluntary Code of Conduct for Executive Search Firms and has a good understanding of the Group's business as it has previously assisted in the identification of individuals to fill non-executive director roles and other senior executive roles.

The Committee identified, in particular, the following attributes of potential candidates as highly desirable:

- City experience and competence
- international track record
- strong strategic and communication skills
- industry sector experience

together with the ability to devote the time necessary to the role.

Spencer Stuart prepared a 'long list' comprising a diverse range of potential candidates meeting the specifications. The search consultants and Liz Airey then identified a subset of this long list to meet face-to-face with a working party of the Nominations Committee. This working party then recommended the candidates who went through to a second round of meetings with other members of the Board and who were also given the opportunity to hold a due diligence meeting with Sir Peter Gershon and to meet members of the Executive Committee.

The Committee reviewed the output of the discussions held with the potential candidates and recommended the appointment of Dr Gerry Murphy to the Board from 1 January 2017. Dr Murphy became the Chairman on 1 April 2017.

Appointment of Jeanne Johns

The Committee reviewed the succession needs of the Board and determined that it would be appropriate to seek an additional US-based non-executive director.

The Committee retained Korn Ferry to assist it with the search. Korn Ferry is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

Korn Ferry prepared a long list comprising a diverse range of potential candidates meeting the specification. The search consultants and the Chairman (Sir Peter Gershon) then identified a subset of this long list to meet face-to-face with the Chairman. Following these initial interviews, Sir Peter Gershon recommended a shortlist of candidates and the Committee set up a working party to interview the candidates.

The Committee subsequently discussed the results of these interviews and also reviewed the candidates' anticipated ability to provide the necessary time commitment to Tate & Lyle. The Committee recommended that Jeanne Johns be appointed as an additional non-executive director. This recommendation, together with the proposed membership and chairmanship of the Corporate Responsibility Committee, were approved by the Board and Jeanne joined the Board on 26 October 2016.

Senior Independent Director

In addition, the Committee recommended that Douglas Hurt, with over six years of Board service and having very good experience of the UK market and institutional shareholders, should be appointed as Senior Independent Director with effect from 1 January 2017.

Company Secretary

Following the resignation of Lucie Gilbert, the Committee commenced a process to appoint a successor, using independent executive search firm, Hedley May. Claire-Marie O'Grady was appointed on 1 February 2017.

Director independence

The Committee is responsible for making recommendations to the Board concerning the independence of non-executive directors. The Code provides that the Board should determine whether there are relationships or circumstances which are likely to affect, or could appear to affect, a Director's judgement and lists tenures in excess of nine years as a circumstance which may appear relevant to its determination. Liz Airey joined the Board in January 2007 and, as the Senior Independent Director, led the process to identify the successor for the Chairman. As previously announced, Ms Airey will be stepping down from the Board at the 2017 AGM and, therefore, will not be seeking re-election as a Director.

Board diversity

The Board believes that a diverse and inclusive culture is a driver of superior business performance, growth and innovation. The Board has a clear policy on diversity that acknowledges that the Board's perspective and approach can be greatly enhanced through gender, age and cultural diversity, notwithstanding the overriding principle that each member, and potential member, of the Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. Wherever feasible, the Committee uses search firms who are signatories to the Voluntary Code of Conduct for Executive Search Firms which seeks to address gender diversity on boards and best practice for the related search processes.

As set out elsewhere in this report, when considering the candidates for non-executive directors the Committee looked at a number of different criteria, including gender, age and cultural diversity and personal attributes such as thinking style. This was reflected in the long lists and shortlists of possible candidates.

With regard to the specific issue of gender diversity, the Board welcomes the decision not to impose in the UK quotas regarding gender balance. As at the date of this report, the Board comprises the Chairman, two executive directors and eight non-executive directors. Female representation (four Directors) equates to 36% of the Board.

Succession planning

The Committee reviewed succession plans for senior executive roles and the progress of action plans to address any gaps. The Committee continues to review progress on a regular basis.

Performance evaluation

The Committee evaluated the performance of each member of the Executive Committee and reported its conclusions to the Remuneration Committee.

Corporate Responsibility Committee Report



Jeanne Johns, Chairman of the Corporate Responsibility Committee

Safety is the primary focus of the Corporate Responsibility Committee.

Dear shareholder

This is my first report as the chairman of the Corporate Responsibility Committee. On behalf of the Committee, I would like to thank William Camp for his significant contribution to the work of the Committee during his tenure and for the time he has taken to share his knowledge and experience of the Company with me during this period of transition. As we move forward, we will continue to focus on the key areas of responsibility – safety, product quality, cyber security and sustainability.

The Group has no higher priority than safety and safety is the primary focus of the Corporate Responsibility Committee. Sadly, our safety performance during the year was overshadowed by an industrial accident at one of our grain elevators in the US, in which one of our employees and a local farmer died. As well as investigating the root causes of this tragic incident, the executive management team, with the full support of the Board and the Corporate Responsibility Committee, instigated a comprehensive end-to-end review of the Group's safety programme and safety culture. This ongoing review started in January and is being supported by leading external experts in safety. As part of their review, these experts will visit over 30 manufacturing and other locations. The review will be completed in the summer with a full report to management and the Board. Throughout the review process, the Committee will have regular updates on key themes emerging from it, and will review the actions taken by management to address the review's findings.

As part of my induction as a new Board member, I visited the Mattoon and Coles grain elevators after the industrial accident to observe the revised processes and targeted investments being implemented there. I also visited the Decatur, Lafayette South and Sagamore plants and was able to see first-hand how committed the teams there are to safety and how receptive they are to safety risk management improvements. Implementation of the comprehensive Group-wide safety review will enable the next level of safety risk management.

Before taking over as Chair of the Corporate Responsibility Committee, I held meetings with the President Global Operations; VP, Safety; the Group VP and CIO; VP, Group Audit and Assurance; and VP, Sustainability to discuss items on the Committee's agenda. I propose to hold meetings of this nature with regular management attendees of the Committee and other senior operational leaders in advance of future Committee meetings. I believe that these meetings will provide me with an invaluable opportunity to discuss risk areas and help me to ensure that the Committee has the appropriate information to discharge its responsibilities effectively.

Looking ahead, the Committee's priority for the 2018 financial year will be safety, focusing on the effective implementation of the recommendations from the Group-wide safety review, including the external experts' report. We will also continue to devote significant time to product quality, cyber security and sustainability.

Jeanne Johns
Chairman of the Corporate Responsibility Committee

Committee governance Responsibilities

The Committee assists the Board by overseeing the Group's approach to corporate responsibility, including the effectiveness of policies and procedures relating to a safe working environment, product quality, environmental performance, employee relations, equal opportunities, legal and ethical matters, and cyber security. Further details on its responsibilities are in the Committee's terms of reference, on the Company's website, www.tateandlyle.com.

Composition

Typically, the Committee comprises four Directors. Jeanne Johns was appointed to the Board and the Committee with effect from 26 October 2016. The Company Secretary is the secretary to the Committee.

Meetings during the year

Meetings generally take place around the time of scheduled Board meetings. The Committee held four scheduled meetings during the year and attendance during the year was as follows:

| Directors as at 31 March 2017 | Date of appointment to the Committee | Number of meetings attended | Number of meetings eligible to attend |
|-------------------------------|--------------------------------------|-----------------------------|---------------------------------------|
| William Camp (Chr) | 1 July 2011 | 4 | 4 |
| Jeanne Johns | 26 October 2016 | 2 | 2 |
| Lars Frederiksen ¹ | 1 April 2016 | 3 | 4 |
| Sir Peter Gershon | 1 July 2011 | 4 | 4 |
| Douglas Hurt | 1 March 2015 | 4 | 4 |
| Dr Gerry Murphy | 1 January 2017 | 2 | 2 |
| Dr Ajai Puri ¹ | 1 April 2012 | 3 | 4 |

¹ Unable to attend one meeting due to a pre-existing commitment.

The Committee has also met once since the end of the financial year and prior to the signing of this Annual Report.

The Chief Executive; VP, Group Audit and Assurance; and VP, Group Safety are normally invited and attend each meeting. The President Global Operations; the VP, Sustainability; the Group VP and CIO; and the VP, Global Quality attend and present to the Committee on an ad hoc basis, depending on the issues being discussed.

Effectiveness

The Committee Chairman and Company Secretary led a review of the Committee's effectiveness and the output was discussed by the Committee. This concluded that the Committee continued to operate effectively and identified a number of areas for increased focus during the forthcoming financial year.

Work undertaken during the year

The Committee maintains a calendar of items for consideration at each meeting. This is regularly reviewed and updated. The work undertaken by the Committee in the 2017 financial year fell under the following main areas:

Safety

At each of its meetings, the Committee discussed an update from the VP, Safety covering matters such as the development and implementation of initiatives to refresh the Group's approach to personal safety. In addition to the updates into the incident at one of our US grain elevators in 2016, during the course of the year, the Committee identified areas for additional safety reporting to be produced by management for review at routine Committee meetings.

Product quality

The VP, Global Quality updated the Committee on the status of global quality key performance indicators; regulatory priorities for the quality organisation; and the result of certain recall simulation activities in the business.

Cyber security

The Committee is responsible for overseeing the policies and systems to address cyber security threats. Updates on cyber security matters were provided to the Committee twice during the year in addition to regular updates to the Board.

Diversity and inclusion

The Committee received an update on the actions taken to embed the Group's diversity and inclusion initiatives, and the priorities of management for the next 12 months.

Business practices

The Committee considered the effectiveness of the independent confidential reporting line. Further information on this is on page 63. The Committee also reviewed the Company's Modern Slavery Statement which was subsequently approved by the Board.

Environment

The VP, Sustainability provided the Committee with updates on the Group's environmental performance and initiatives and the Committee approved new targets for 2020 (see page 48).

Community

The Committee discussed the delivery of the annual charitable and community involvement programme and the proposed programme for the year ending 31 March 2018.

Internal control and risk management

In September, the Committee reviewed progress made in the Company's business continuity management programme and those areas of focus for continued improvement over the following 12 months.

During the year, the Committee received regular reports from management and the VP, Group Audit and Assurance in respect of the policies, systems and controls in place in respect of the risks falling within the Committee's remit. In addition, the Committee reviewed the output from the annual review of the effectiveness of controls falling within its terms of reference and then reported to the Board on this review.

Directors' Remuneration Report



Anne Minto, Chairman of the Remuneration Committee

This year, the Committee considered the renewal of our Remuneration Policy and approach.

Dear shareholder

As Chairman of the Remuneration Committee I am pleased to present our Remuneration Report for the financial year ended 31 March 2017.

This introduction explains how we made decisions during the year, and summarises key points from the Report, including performance and incentive plan outcomes, and Committee activities.

Business performance context

As you will read in the introductory statements in this Annual Report, we are pleased to report a year of strong performance with overall results reflecting delivery against our strategy and progress towards our 2020 Ambition.

Both business divisions delivered profit growth in constant currency, with Bulk Ingredients (BI) delivering particularly strong results, driven by good commercial and manufacturing performance. Speciality Food Ingredients (SFI) performed well, delivering profit growth and margin expansion and continues to take the necessary actions to strengthen its focus on customer service and commercial execution. The innovation pipeline

At a glance

1. Our Remuneration Policy and approach are aligned with long-term business objectives and received strong shareholder support – no changes are proposed at the 2017 AGM.
2. The Group's strong financial performance against stretching targets is reflected in incentive outcomes for the year.
3. Overall remuneration outcomes are between target and maximum policy levels.

1. Overview of our remuneration framework: no changes proposed in 2017 Policy

| | |
|--|---|
| Base salary and employment benefits | Market competitive elements to attract the right calibre of executives (including health cover, car and defined contribution retirement benefits) |
| Annual bonus Group financial performance: 2016-2017 metrics: <ul style="list-style-type: none"> • Profit • Sales • Cash flow | Rewards achievement against annual performance objectives: <ul style="list-style-type: none"> • Max cash bonus is 100% of salary • Max opportunity is 175% of salary • Any award over 100% is paid in shares, deferred for two years • Chief Executive target: 75% of salary • Chief Financial Officer target: 50% of salary |
| Performance Share Plan: <ul style="list-style-type: none"> • Group profit growth (25%) • SFI profit growth (ex SPLENDA® Sucralose) (25%) • Group ROCE (50%) • Pre 2016: EPS (50%), ROCE (50%) | Supports the Group's strategy and 2020 Ambition, to create shareholder value from profitable SFI-led growth and to motivate and retain senior talent: <ul style="list-style-type: none"> • Max award is 300% of salary • 15% vesting at 'threshold' • Awards since 2016 subject to a two-year post vesting holding period |
| Shareholding requirements | Chief Executive – 4x salary Chief Financial Officer – 3x salary |
| Claw back and malus provisions | Apply for two years after a bonus award or vesting of PSP awards |

Number of years: ● Performance period ○ Deferral/holding period ► Ongoing requirements

continues to be healthy with New Product sales exceeding US\$100 million for the first time.

Some of the key financial highlights include:

- Group adjusted profit before tax increased by 20%¹
- 5%¹ increase in SFI adjusted operating profit to £181m
- 32%¹ increase in BI adjusted operating profit to £129m
- 22% increase in sales from New Products to US\$105m
- ROCE increase by 300bps to 14.3%
- £121m increase in adjusted free cash flow, enabling net debt/EBITDA to reduce to 0.9x (2016 – 1.2x).

¹ Percentage changes are in constant currency.

Incentive outcomes for the year

As set out in this Report, headline incentive outcomes for the year were as follows:

- Annual bonus plan: awards for the year reflect strong financial performance, with Group profit and cash performance ahead of stretching targets set at the start of the year. Actual awards, at below maximum levels, reflect an assessment of safety performance

- Performance Share Plan (PSP): awards made in 2014 reached the end of their three-year performance period. Our adjusted return on capital employed in the year to 31 March 2017 exceeded the maximum vesting requirement and is in excess of our cost of capital. EPS targets for the three-year period have not been achieved. Accordingly, a vesting level of 50% of maximum was achieved.

Total remuneration outcomes are above 'target' but below 'maximum' policy levels, which the Committee considers to be consistent with the underlying financial health and performance of the business.

Remuneration Policy and shareholder approval

Following a careful review, we believe that our current Remuneration Policy and approach (with the changes made last year to the operation of the PSP) remain appropriate in the context of our business strategy and our shareholders' expectations. Accordingly, we are not proposing to make any material changes to the Policy which was formally approved by shareholders in 2014. The Policy presented in this Report is therefore essentially the same, although we have taken the opportunity to simplify some elements.

2. Performance highlights and incentive outcomes for 2017

Annual bonus

| Metric | Target ² | Actual ² | vs target |
|--|---------------------|---------------------|--------------|
| Group adjusted profit before tax (PBTEA) | £206m | £233m | +£27m (+13%) |
| Net sales less cost of raw materials | £1 343m | £1 397m | +£54m (+4%) |
| Operating cash flow | £97m | £114m | +£17m (+18%) |

Bonus award to Chief Executive: 80% of maximum
 Bonus award to Chief Financial Officer: 90% of maximum

² Bonus targets and actual performance is assessed at constant (budget) exchange rates.

See page 89 for more detail

Performance Share Plan (2014 Award)

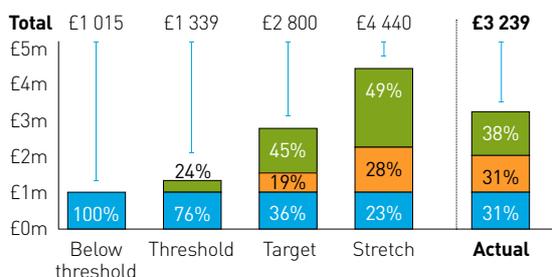
| Targets (threshold-stretch) | Actual (2014-2017) |
|-----------------------------|--|
| EPS (50%) | 6% – 15% compound annual growth over three years |
| ROCE (50%) | 12.6% – 15.6% at the end of the performance period |

50% of the award made in 2014 will vest, based on the combination of EPS and ROCE performance

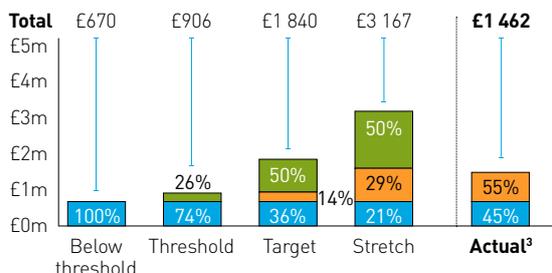
See page 91 for more detail (includes ROCE definition)

3. Remuneration Policy scenarios and actual outcome for the year

Chief Executive (£000s)



Chief Financial Officer (£000s)



● Base and benefits ● Annual bonus ● Performance Share Plan

³ Does not include the value from compensatory share awards made on employment (see page 96).

Directors' Remuneration Report continued

The Committee formed this view thoughtfully, taking a number of factors into account, as described below.

Since the 2014 Policy was adopted, we have continued to engage proactively with shareholders

- We have engaged proactively with shareholders over successive years, and I am pleased to report that the level of shareholder support for our core remuneration framework remains strong (most recent policy and report resolutions enjoying support of 97.9% and 93.0% respectively)
- We made specific changes to the long-term incentive (PSP) framework last year, which were the subject of detailed consultation with shareholders, and which align well with our business strategy and long-term ambition for growth
- We consulted ahead of the publication of this report with a broad group including many of our largest 30 shareholders, offering meetings with me, to explain our intended approach in reviewing the Policy, and to capture any feedback.

We have been responsive to prevailing investor and governance themes

Since the current policy was adopted, the Committee has been attentive to governance developments and changes in shareholders' expectations, and our practice has evolved over that time to adopt several governance-friendly features, for example:

- We were early adopters of claw back and malus provisions
- Our personal shareholding requirements continue to be more demanding than typical (four times salary for the Chief Executive; three times salary for other executive directors and Executive Committee members)
- We have introduced a holding period for PSP awards, so a combination of a three-year vesting period and two-year holding period means that awards made since 2016 have a five-year time horizon
- A 'dividend underpin' supplements the existing financial performance underpin, providing the Committee discretion to reduce the vesting outcome in certain circumstances, and providing shareholders with additional comfort that PSP awards will only vest if dividends over the period conform with our Policy
- We also remain committed to maintaining the quality of our remuneration-related disclosure (for example, disclosing bonus targets in full).

We intentionally operate a simple overall remuneration framework

While the regulatory disclosures are detailed, our remuneration framework remains simple:

- The components of remuneration (salary and benefits, an annual bonus and a single long-term incentive plan) each have a clear purpose, and incentive plan metrics are aligned with our business strategy, and with the successful delivery of long-term financial growth and returns to shareholders, and are consistent with our 2020 Ambition
- We maintain a strong alignment with shareholders' interests by requiring executive directors to maintain significant personal shareholdings through the post-vesting holding period applicable to PSP awards and through safeguards such as malus and claw back provisions which apply to incentive awards following their release.

No material changes to Policy; retaining flexibility to reflect the needs of the business

There are no material changes to the Policy, although we have simplified the wording in some areas (for example, the description of how leavers are treated), and tidied up a few housekeeping matters with input from our external advisors (for example, to ensure that incidental benefits are appropriately captured within the Policy).

Remuneration Report and Remuneration Policy for the year ahead

Our Remuneration Policy was approved by shareholders at the 2014 AGM with 97.9% of votes in favour. Changes to the operations of the PSP (in existing Policy) were endorsed by shareholders through a 93.0% vote in favour of the Remuneration Report in 2016. The Committee is satisfied that this Policy and approach provide strong alignment between Group performance and the remuneration of executive directors.

The information regarding Directors' remuneration is presented in two Reports: the first relates to our Remuneration Policy and the second relates to the way in which our Policy has been implemented during the year.

Resolutions to approve each of these Reports will be proposed at the AGM on 27 July 2017. Our intention is that the Policy approved by shareholders will apply for a period of three years from the date of the AGM, and will not be put to an annual shareholder vote.

Anne Minto OBE Chairman of the Remuneration Committee

Key Committee activities during the year

In addition to the responsibilities of the Committee (summarised on page 87), during the year, the Committee:

- Completed our consultation with shareholders regarding the changes to PSP metrics which were endorsed by shareholders at the 2016 AGM. The Committee specifically deferred the grant of 2016 PSP awards until after the AGM to ensure shareholder support for the new arrangements. We were pleased to note that the Directors' Remuneration Report resolution was strongly supported, with 93% of shareholders voting in favour
- Scheduled additional time for Committee meetings, and the annual agenda incorporates a programme of regular updates on market, investor and governance/regulatory topics
- Continued to engage with other stakeholders on director remuneration topics (including the Investment Association Working Group and BEIS consultations on remuneration)

- Reviewed the effectiveness of changes previously made to the Annual Bonus Plan to ensure stronger links between our annual planning process and the establishment of bonus targets; and adopted SFI volume growth as a quantitative strategic 'top line' metric in place of 'net sales less cost of raw materials' for the year ahead, to place a greater focus on the necessary actions to grow the SFI business in pursuit of our 2020 Ambition.

In January 2017, the Committee Chairman led the annual review of the Committee's effectiveness. The review concluded that the Committee appropriately fulfilled its role and carried out its duties against the responsibilities described in its terms of reference, noting also the additional time the Committee had spent during the year considering external updates on market and governance developments.

We were pleased to note that our Remuneration Report published last year was awarded the Building Public Trust in Corporate Reporting Award for executive remuneration reporting in the FTSE 250; and, this year, we have sought to preserve our standard of disclosure for the benefit of our stakeholders.

About these Reports

These Reports have been prepared in accordance with the requirements of the Companies Act 2006 (the Act) and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations), the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code. PricewaterhouseCoopers LLP have audited such content as required by the Act (the information on pages 94 to 97 marked as '(audited)').

Key sections of this Report are as follows:

Directors' Remuneration Policy Report

- 78 Remuneration strategy and context
- 80 Remuneration Policy for executive directors
- 82 Remuneration Policy for the Chairman and non-executive directors
- 82 Other Policy items
- 85 Application of Remuneration Policy

Annual Report on Remuneration

- 86 The Remuneration Committee
- 88 Directors' salaries and fees
- 89 Annual bonus
- 91 Long-term incentive – Performance Share Plan
- 94 Single figure table and other audited disclosures
- 97 Directors' shareholdings and share interests

Directors' Remuneration Report continued

Directors' Remuneration Policy Report

Introduction

This Report sets out the Company's policy in relation to Directors' remuneration.

Following a careful review, as described in the Committee Chairman's letter (see page 74), the Committee believes that our current Remuneration Policy and approach (with the changes made last year to the operation of the PSP, within the scope of our existing policy) remains appropriate in the context of our business strategy and our shareholders' expectations. Accordingly, we are not proposing to make any material changes to the Policy which was formally approved by shareholders in 2014. The Policy presented in this report is therefore essentially the same, although we have taken the opportunity to simplify some elements.

Subject to shareholder approval at the AGM on 27 July 2017, the Committee will operate within this Policy from that date.

The Committee retains discretion on specific aspects of policy and implementation, as described in the Remuneration Policy, along with an overriding discretion to determine bonus outcomes and judge the level at which share awards vest, to ensure that payments are consistent with the underlying financial health and performance of the business, within the maximum opportunity stated in the Policy tables. The Committee may make minor changes to the Policy without seeking shareholder approval, for example to benefit the administration of arrangements, or to take account of changes in legislation. Any such changes would be disclosed in the relevant Annual Report.

Remuneration strategy and key principles

The Group's remuneration strategy and supporting principles, which apply consistently to employees, managers and executives, are summarised in the table below.

Remuneration strategy

The Group's remuneration strategy is to provide packages that enable the Group to recruit, retain and motivate high-calibre individuals in the markets in which we operate so that we may deliver superior operational performance and outstanding financial results

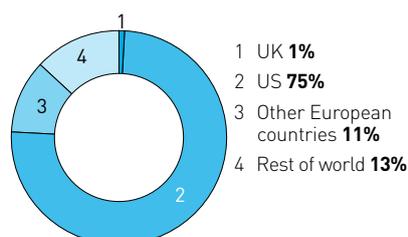
Key principles

- Base pay and benefits are referenced to the comparative local market, taking account of company size and operations
- For all employees, our pay for performance framework provides for meaningful differentiation in salary progression and opportunities for career progression, based on each individual's contribution
- The total package opportunity should provide meaningful rewards for superior performance and encourage the achievement of genuinely stretching short-term and long-term objectives
- Below executive level, key individuals who have a specific accountability for driving annual and longer-term performance may be selected to participate variously in our sales incentive plan, the annual bonus plan, and the Performance Share Plan
- Alignment with shareholders' long-term interests is carefully preserved, for example, through: a significant proportion of pay being based on performance; effective governance around remuneration decisions; a considered approach to setting performance targets; the adoption of shareholding guidelines at senior executive levels; and malus and claw back provisions on incentive awards
- All aspects of remuneration are designed to encourage a focus on long-term, sustained performance and risk management
- Our approach is intended to be equitable and transparent and operate across the Group, recognising that we recruit talented individuals and operate in an international market
- Outcomes must be achieved in a way that is consistent with the Group's Values and Code of Ethics, and that fosters sustainable, profitable growth

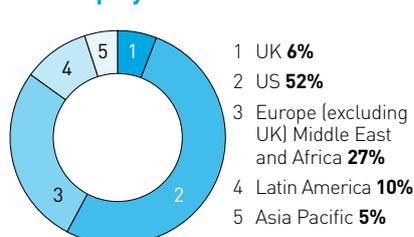
We operate in an international context

The charts below illustrate the international nature of our business. Although we are UK-listed and headquartered in London, UK, a very significant proportion of our sales, employees and shareholders are based outside the UK. Accordingly, it is important that our remuneration arrangements are competitive in that international context.

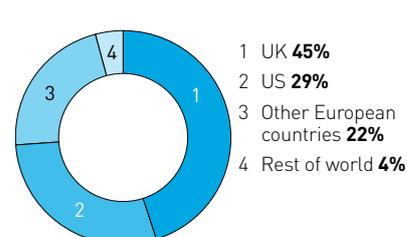
Our sales¹



Our employees



Our shareholders²



1 Sales by destination (from continuing operations) as per Note 5.

2 Analysis of shareholder register as at 3 April 2017.

A clear link between our long-term business strategy and executive directors' remuneration

The Group's remuneration arrangements place a clear emphasis on driving Group performance, through incentives that are directly linked to key performance indicators (KPIs) which are aligned with our business strategy. In this way, we maintain a keen focus on delivering long-term growth and value for shareholders.

The table below summarises the performance metrics that we use to measure the Group's progress against our strategy, and describes how these link to remuneration arrangements.

| | | | |
|--|--|---|---|
| <p>Adjusted profit before tax^{1,2}</p> <p>+20% (£271m)</p> | <p>Adjusted diluted EPS growth^{1,2}</p> <p>+16% (47.1p)</p> | <p>Net debt to EBITDA multiple</p> <p>decreased 0.3x (0.9x)</p> | <p>Interest cover</p> <p>increased 3.2x (13.9x)</p> |
| <p>Link to directors' remuneration</p> | | | |
| <p>Underlying profit performance is a key determinant of awards under the Annual Bonus Plan and for awards under the Performance Share Plan from 2016</p> | <p>Awards under the Performance Share Plan up to 2015 depend on this metric</p> | <p>These objectives are reflected in incentive plan target setting, and the corresponding impact on remuneration is primarily through the cash and profit metrics in the annual bonus</p> | |
| <p>Sales of Speciality Food Ingredients¹</p> <p>-3% (£996m)</p> | <p>Return on capital employed</p> <p>+300bps (14.3%)</p> | <p>Adjusted operating cash flow</p> <p>+120% (£273m)</p> | <p>Safety and corporate responsibility</p> |
| <p>Link to directors' remuneration</p> | | | |
| <p>Informs the sales targets in the Annual Bonus Plan. A volume metric will apply from the 2018 financial year, being a more effective measure of growth</p> | <p>Awards under the Performance Share Plan depend on this metric</p> | <p>This is a performance metric in the Annual Bonus Plan</p> | <p>Safety and broader corporate responsibility matters may be factored into the Committee's decisions on pay and annual incentive plan outcomes</p> |

1 Changes in constant currency.

2 Continuing operations.

See our Key Performance Indicators on page 24

Directors' Remuneration Report continued

Remuneration Policy for executive directors

| Element | Purpose | Policy | Maximum opportunity |
|---|--|--|--|
| Base salary | Providing competitive fixed remuneration to attract executives of the required calibre | <ul style="list-style-type: none"> Salaries are referenced to the comparative local market taking account of company size and operations, the individual's skills, experience, personal performance and circumstances (for example, following promotion into a new or expanded role). | <ul style="list-style-type: none"> Increases are typically limited to the general increase for Group employees in the same location. |
| Benefits | | <ul style="list-style-type: none"> Benefits are provided in line with comparative local market practice and may include, for example: car (or allowance), health insurance, life cover, and retirement benefits. <p>Incidental (situation-dependent) benefits may include:</p> <ul style="list-style-type: none"> Reimbursement of out-of-pocket expenses incurred in the course of business, and settlement of taxes in accordance with HMRC rules Participation in benefits generally available to the local employee population (including for example HMRC-approved sharesave plans) Relocation benefits, including healthcare Payment in lieu of dividends on specific awards. | <ul style="list-style-type: none"> Retirement and/or cash benefits in lieu of pension are referenced to external market practice. The value of non-cash benefits is determined by the cost of provision, e.g. third-party health insurance premiums. Receipt of any benefits would be in accordance with policies applicable more generally to employees in the same location. |
| Annual bonus Key drivers: <ul style="list-style-type: none"> Profit Sales Cash flow Max opportunity: 175% of salary | Supporting near-term growth goals by rewarding strong annual financial and performance objectives | <ul style="list-style-type: none"> The Annual Bonus Plan rewards achievement of financial and other objectives established by the Committee for the relevant financial year. The bonus award may comprise cash and deferred shares, depending on the level of award. The final bonus award is made at the Committee's discretion. Subject to the overall maximum, the Committee may make appropriate adjustments to ensure that the bonus outcomes are a fair reflection of the underlying performance of the Company and may also take into account factors such as the Group's safety performance, operational performance, and personal performance. | <ul style="list-style-type: none"> Target is 50% of salary for the Chief Financial Officer and 75% for the Chief Executive Maximum cash bonus is 100% of salary. Maximum total bonus opportunity is 175% of salary, with any award over 100% paid in shares, which are deferred for two years. Deferred shares carry the right to receive a cash payment in lieu of the dividend during the deferral period. |
| Performance Share Plan Key drivers: <ul style="list-style-type: none"> SFI operating profit (excluding SPLENDA® Sucralose) Group operating profit Group ROCE Max opportunity: 300% of salary | Supporting the Group's strategy by incentivising sustained profit growth and capital efficiency over successive three-year performance periods, and retaining talent | <ul style="list-style-type: none"> Awards over Tate & Lyle PLC shares may be made each year, at the Committee's discretion taking an individual executive's contribution and performance into account. Awards will only vest to participants if demanding financial performance requirements have been achieved over a performance period of at least three financial years commencing with the financial year in which the award is made. A two-year post-vesting holding period follows the three-year performance period, so awards to executive directors have a five-year horizon. | <ul style="list-style-type: none"> Flexibility to make awards of up to 300% of base salary (at the time of award) to ensure market competitiveness and taking account of the Group's performance. The award will lapse entirely if threshold performance targets are not achieved. Only 15% of any award made to executive directors vests for achieving threshold performance. |
| Personal share ownership¹ | Alignment of long-term interests with shareholders | <ul style="list-style-type: none"> Minimum shareholding requirements must be built over a five-year period following appointment Similar requirements apply to other senior roles | <ul style="list-style-type: none"> Chief Executive: four times base salary Chief Financial Officer: three times base salary |

¹ Included here as a key feature but does not form part of formal 'policy'.

Number of years: ● Performance period ○ Deferral/holding period ► Ongoing requirements

Operation/performance framework

- Base salary reviews take into account increases awarded to employees below executive level, and the impact on pension and other consequences of increases. They reflect personal performance consistent with the approach applicable to employees generally.
- Retirement benefits are provided by way of defined contribution or equivalent cash arrangements. Contribution levels are 35% of salary for the Chief Executive and 25% of salary for the Chief Financial Officer, reflecting contractual commitments on appointment.
- Employment and incidental benefits are not performance-related.
- Payment in lieu of dividends may apply to specific awards where any applicable conditions have been satisfied at vesting. Accordingly, no additional performance conditions apply.
- No performance conditions are attached to sharesave awards because the sharesave plan is an all-employee scheme.

- Key financial performance metrics are selected by the Committee. Additionally, the Committee may select quantifiable metrics aligned with strategic and/or operational objectives on a personal or collective basis.
- Targets for each metric are set at the start of each financial year, taking account of the business strategy, performance in previous years, market expectations and the prevailing economic climate.
- Financial performance has the greatest weighting.
- A minimum profit hurdle applies before any bonus is payable against any of the metrics.
- Malus and claw back provisions apply: bonus payments and shares may be recouped in specific circumstances during the two-year period following the end of the financial year to which the bonus relates.

- The following performance metrics were adopted for awards from 2016:
 - 25%: SFI adjusted operating profit (excluding SPLENDA® Sucralose)
 - 25%: Group adjusted profit before tax
 - 50%: adjusted return on capital employed (ROCE).
- These metrics are key determinants of shareholder value creation, because they reflect: the effectiveness of strategic investment decisions; the focus on growing our SFI business; and the growth in financial value of the whole Group. If material changes to the metrics are proposed, the Committee would consult with key shareholders in advance of making a new award.
- Targets are reviewed by the Committee ahead of each annual grant, to ensure they remain appropriately stretching over the performance period.
- The Committee must be satisfied that the level of vesting is justified by the broader underlying financial performance of the Company.
- A dividend underpin gives the Committee discretion to reduce PSP vesting if dividends over the performance period do not conform to the dividend policy.
- Malus/claw back provisions: awards may be recouped in specific circumstances during the two-year period after the performance period.

- The value of an executive's interests in shares is directly affected by share price performance over time.

Changes to policy

- **No changes to the policy have been made.**
- The reference to incidental benefits clarifies that directors may participate in benefits that are generally available to local employees; and provides for the settlement of expenses incurred in the normal course of business.

- **No changes to the policy have been made.**

- **No changes to the policy have been made.**
- Revised metrics were adopted in 2016 (within the scope of the Remuneration Policy), following detailed consultation with shareholders, and shareholders' approval of the Directors' Remuneration Report at the 2016 AGM.
- The post-vesting holding period and dividend underpin were adopted as part of this review.

- **No changes to the requirements have been made.**

Directors' Remuneration Report continued

Remuneration Policy for the Chairman and non-executive directors

Terms of appointment

The Chairman and non-executive directors have letters of appointment and do not have service contracts or notice periods. Under the terms of their appointment, they are usually expected to serve on the Board for a maximum of nine years, subject to their annual re-election by shareholders. The Company Chairman and non-executive directors receive a fee for their services, do not participate in the Group's incentive or pension schemes, do not receive any other benefits, and have no right to compensation if their appointment is terminated.

Chairman and non-executive directors' fees

Non-executive directors' fees (excluding the Chairman) are reviewed annually by the Chairman and executive directors of the Board. The Chairman's fee is reviewed annually by the Committee (excluding the Chairman).

Aggregate fees depend on the responsibilities assumed by each non-executive director. A basic fee is paid to the Chairman, to the Senior Independent Director and to each non-executive director. Supplemental fees are paid to each Committee chairman. Accordingly, supplemental fees are paid to the chairmen of the Audit, Corporate Responsibility and Remuneration Committees, and of the Research Advisory Group, to reflect the extra responsibilities required by each of these positions.

Increases in fees arising from the normal annual review will generally be limited to the market increase applicable to UK employees generally. However, a higher or lower increase may be awarded to ensure that fees paid are commensurate with those paid by other UK-listed companies. Fees are set at a level to retain individuals with the necessary experience and ability to make a substantial contribution to the Group.

The Company may reimburse out-of-pocket expenses incurred in the normal course of business and settle taxes on these in accordance with HMRC rules.

Other Policy items

Incorporation of previously approved remuneration policy statements

We intend that provisions consistent with previously disclosed directors' remuneration policies and/or incentive plans previously approved by shareholders will continue to apply after shareholders have approved the resolution to adopt the Remuneration Policy set out in this report. Such provisions will allow, without limitation:

- The honouring of contractual commitments entered into before the Policy takes effect, or before an individual was subject to this Policy
- The satisfaction of awards and/or commitments made in relation to incentive plan awards (providing they were consistent with the Policy in effect at the time the original award/commitment was made).

Executive directors' external appointments

The Board believes that the Group can benefit from executive directors holding external non-executive directorships. Such appointments are subject to approval by the Board and are normally restricted to one position for each executive director. Fees may be retained by the executive director concerned.

Other incentive plan provisions

- **Potential impact of mergers and acquisitions or other corporate activity:** in the context of a merger or acquisition, or other relevant corporate activity, any potential impact on the incentive plans would be specifically considered by the Committee. In such circumstances, the Committee retains the authority to vary the performance target or the vesting outcome to ensure that outcomes are equitable for both the participant and shareholders.
- **Change of control and voting:** all the Company's share plans contain provisions relating to a change of control. Outstanding awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time, and in proportion to the time served during the performance period.

Service contracts

The Group's policy regarding executive directors' service contracts and appointment terms is to take account of market practice, and to ensure that provisions in relation to notice periods or termination payments are not excessive. Our policy is also to ensure that contracts provide appropriate protection for the Group, for example, in relation to restrictions on competition, solicitation of customers or employees, and the protection of intellectual property.

Executive directors are employed under service contracts commencing on dates as follows: Javed Ahmed (Chief Executive) – 10 October 2009; Nick Hampton (Chief Financial Officer) – 1 September 2014. The contracts provide for six months' notice from the executive and 12 months' notice from the Group.

Service contracts for executive directors and letters of appointment for the Chairman and non-executive directors are available for inspection at the Company's registered office.

Beyond the items disclosed in this report, there are no further obligations on the Company which could give rise to a remuneration or loss-of-office payment to a Director.

Policy on the terms of directors' appointment

To ensure the continued growth and success of the business over time, the Company must have the flexibility to appoint new individuals to the Board, either by way of internal promotion or external appointment, on terms that are sufficient to attract and motivate individuals of the highest calibre.

The following key principles describe our intended approach in these circumstances (and are consistent with the principles that apply to the broader employee population).

- The starting point for structuring any package on appointment will be the annual remuneration framework under the Remuneration Policy that has been approved by shareholders and is current at the time of the appointment.
- To respond to specific circumstances and/or to allow for differences in practice over time and by location, the Committee retains flexibility outside the Policy to provide market-referenced benefits which are considered necessary or appropriate to the role, for example in relation to healthcare and insurance, transport and security, and provision for retirement.
- Where an appointment requires an individual to relocate, internationally or otherwise, the Company may agree to make payment(s) to offset certain expenses incurred as a consequence of relocation or may provide benefits in line with our global/domestic mobility policy, on appointment and on an ongoing basis, depending on the circumstances. Such benefits may include, for example travel, relocation and tax-related assistance, and similar repatriation benefits in due course.
- The current Policy provides for a maximum level of variable remuneration that is equivalent to 475% of base salary in the financial year of appointment. This is consistent with the aggregate current maxima under the Annual Bonus Plan and the Performance Share Plan. The Committee retains flexibility to alter the balance between short-term and long-term elements within this overall maximum, and awards may be made on different terms.
- Where an internal candidate is appointed, contractual commitments that have been made prior to appointment to the Board, along with any benefits and/or incentive awards that have been awarded at that time, may remain in effect and be honoured, even if they would not otherwise be consistent with the shareholder-approved Remuneration Policy in effect at the time.
- To secure the appointment of a suitable external candidate, the Committee retains the flexibility to provide additional compensation for the value of incentive awards or other benefits that are forfeited on leaving a former employer. In such circumstances, the Committee may make use of cash and/or shares, as it considers appropriate in the circumstances. The Committee will exercise careful judgement in formulating the terms on which such a

compensatory award will be made, taking into account the form of award(s) that are forfeited, the timeframes over which they may otherwise have been earned, and any performance conditions that would have applied, with the principle that such awards be made on a like-for-like basis.

This Policy is intended to enable the Committee to structure an offer on terms that it considers to be in the best interests of the Company and our shareholders. Depending on the circumstances, and any restrictions or requirements that may apply, the Company may consult with key shareholders as part of this process and/or disclose terms on which a new appointment is made through a regulatory information service.

Policy on payments in connection with loss of office

It is the Company's policy that executive directors are normally employed on contracts that provide for not more than 12 months' notice from the Company and at least six months' notice from the executive. To protect the Group's interests, restrictive covenants (non-compete/non-solicitation) apply for a period of 12 months following termination, less any period of 'garden leave'. The Chief Executive and Chief Financial Officer are each employed on contracts consistent with this policy.

The treatment of executive directors leaving the Company is designed to support a smooth transition from the Company, encouraging an orderly transfer of responsibilities, and taking into account the interests of shareholders in securing the sustained performance of the business beyond the executive's departure. At the same time, the Committee is mindful of the need to avoid providing any element of reward for failure.

Termination for dishonesty or misconduct or poor performance are circumstances in which the executive director would retain only the minimum contractual entitlements on departure. In these circumstances no bonus award would be made, and unvested deferred shares or performance share awards would lapse. Dishonesty or misconduct may lead to the operation of malus and/or claw back provisions.

An executive director's departure in compassionate circumstances such as death or permanent disability would generally result in the most beneficial terms being received, as summarised below.

If an executive director departs from the Company in other circumstances, the treatment would be considered at the Committee's discretion and approved on a case-by-case basis, in keeping with the principles above. Such circumstances would potentially result in treatment that is more favourable than the contractual minimum but no more generous than that which applies under the compassionate circumstances mentioned above.

Directors' Remuneration Report continued

| Element of remuneration | Treatment in compassionate circumstances (e.g. death or permanent disability) |
|---|---|
| Salary and benefits | Paid or provided pro-rata to the termination date. |
| Annual bonus award or Performance Share Plan vesting | Any bonus or the vesting of Performance Share Plan award(s) will normally be considered and approved based on the extent to which the original performance targets are assessed to have been met at the relevant year-end, reduced pro-rata for time over the relevant financial year(s) prior to the termination date. The Committee retains the flexibility to approve the timing and value of any award on a different basis, depending on the circumstances (for example to release awards on cessation in the case of death/disability). |
| Deferred bonus awards and Performance Share Plan awards subject to a holding period | Deferred bonus awards may continue in effect, or be released early at the Committee's discretion, depending on the circumstances. The post-vesting holding period applicable to Performance Share Plan awards will cease on termination of employment. |
| Provisions for payments in lieu of notice, and requirements for mitigation | The Company has the option to make a payment in lieu of notice in relation to the fixed elements of remuneration only (base salary, pension, and contractual benefits). Depending on the circumstances, such a payment may be subject to a duty of mitigation. The Chief Financial Officer's contract gives the Company the contractual right to phase the payments and to reduce them if the executive mitigates his loss. Other elements of remuneration described in this table are not affected by these provisions. |

In addition to contractual rights to any payment on loss of office, any employee, including executive directors, may have statutory and/or common law or other rights to certain additional payments, for example in a redundancy situation. Similarly, additional consideration may be provided, if necessary, to secure specific agreements following separation (for example an enhanced non-compete provision) that protect the Group's interests.

Depending on the role and circumstances of departure, a director who has been relocated may be repatriated in accordance with previously agreed terms. The Company may pay some or all of the costs incurred by the executive director in respect of legal, financial, outplacement or other relevant personal advisory services and/or expenses in connection with relocation. The Committee will approve such arrangements on a case-by-case basis, with a view to maintaining compliance with regulatory requirements and consistency with internal Company policies that may apply.

Consideration of shareholders' views

The Committee (led by the Committee chairman) engages with our major institutional shareholders each year specifically on remuneration topics, alongside the Board's wider-ranging shareholder engagement programme.

The Committee also receives regular updates on investors' views and corporate governance matters. These lines of communication ensure that emerging best practice principles are factored into the Committee's decision making.

During 2016, the Committee chairman engaged with many of our 30 largest institutional shareholders and representatives, primarily to consult on proposed changes to the Performance Share Plan (PSP).

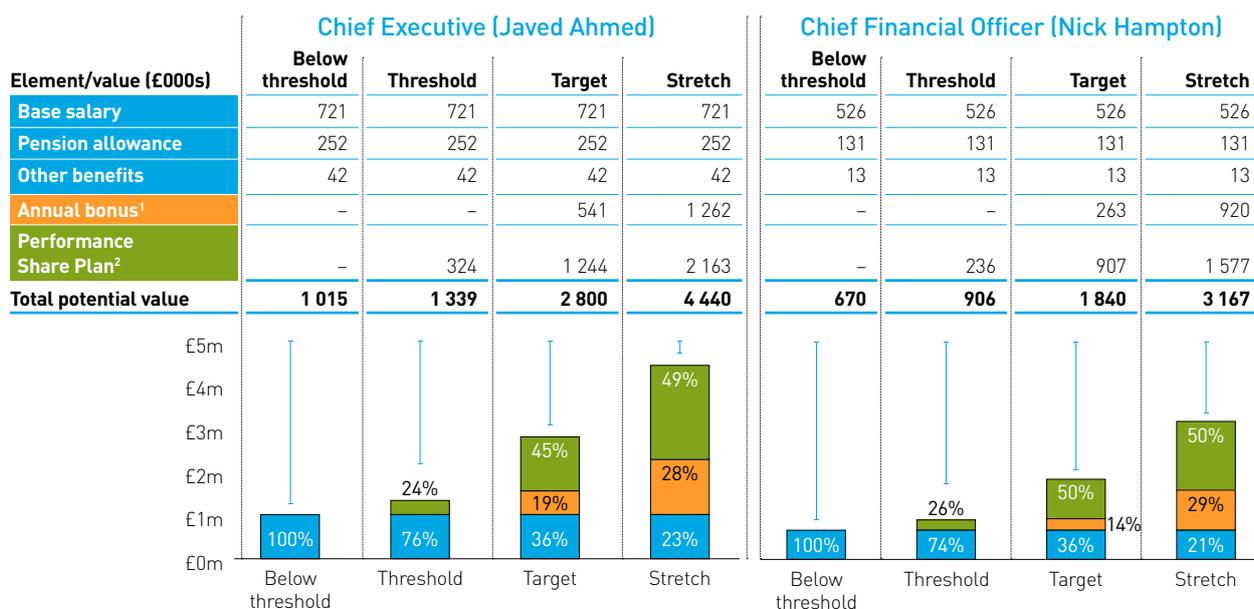
The Committee has been attentive to the need for simplification of pay structures and the need for transparent communication in relation to remuneration decisions, alongside the detailed remuneration principles issued by many institutional investors and representative bodies. These perspectives have guided the Committee's thinking through the year, and informed our decisions.

Our approach to remuneration has been relatively consistent since 2010, evolving over the intervening period to remain closely aligned with executional priorities and strategy, including our 2020 Ambition which was launched in 2015 (resulting in changes to performance metrics in the annual bonus and PSP); and to keep in step with good practice in relation to features that improve the alignment with and protect shareholders' interests. These include adopting malus and claw back provisions in 2013, and incorporating a two-year post-vesting share holding period and dividend underpin for PSP awards in 2016.

Shareholders overwhelmingly approved the continuing use of the PSP as our long-term incentive, with changes to the metrics in 2016. Shareholders formally approved the current Remuneration Policy at the AGM in 2014 (97.9% in favour). Our intention is that the Policy approved by shareholders at the 2017 AGM will apply for a period of three years from that date.

Application of Remuneration Policy for executive directors

The tables and charts below illustrate the value that may be delivered from each element of the package under different performance scenarios.



1 Annual bonus shows cash and deferred shares. No bonus is paid at or below threshold; the target opportunity is 75% of base salary for the Chief Executive and 50% for the Chief Financial Officer, while the maximum is 175%.

2 The maximum award is 300% of base salary. 15% vests at threshold, and the 'target' shown is half-way between threshold and stretch (i.e. 57.5% of the maximum).

Statement of consideration of employment conditions elsewhere in the Group

The principles on which we base remuneration decisions for executive directors (as described on page 78) are congruent with those on which we base remuneration decisions for all employees. In particular, the Committee takes into account the general pay and employment conditions of other employees of the Group when making decisions on executive directors' remuneration. This includes considering the levels of base salary increase for employees below executive level, and ensuring that the same principles apply in setting performance targets for executive directors' incentives as for other employees of the Group. The Committee also reviews information on bonus payments and share awards made to the wider management group when determining awards and outcomes at executive director level.

Our approach to remuneration operates consistently across the Group, recognising that we recruit talented individuals so that we may deliver superior operational performance and outstanding financial results

- Salary and benefits (including e.g. healthcare or retirement benefits, where appropriate) are competitive in the relevant local market
- Our pay for performance framework provides employees with opportunities for meaningful salary and career progression over time
- Remuneration arrangements provide a competitive reward opportunity to encourage the achievement of genuinely stretching short-term and long-term objectives
- Key individuals with specific accountabilities for driving annual and longer-term performance participate variously in our sales incentive plan, the annual bonus plan, and the Performance Share Plan
- All aspects of remuneration are designed to encourage a focus on long-term, sustained performance and risk management

Directors' Remuneration Report continued

Annual Report on Remuneration

Introduction

This Report sets out how our established Remuneration Policy has been implemented during the year. It also covers details relating to the composition and key responsibilities of the Remuneration Committee and provides more information on how our incentive plans have operated.

Implementation of the Remuneration Policy in the financial year ending 31 March 2018

The Committee intends that the Policy contained in this Annual Report, subject to shareholder approval at the AGM on 27 July 2017, will apply for a period of three years from the date of the AGM.

Resolution to approve the Report on Remuneration at the 2017 AGM

A resolution to approve this Annual Report on Remuneration will be proposed at the AGM on 27 July 2017.

Statement of shareholder voting

The Remuneration Policy was approved by shareholders at the AGM on 24 July 2014. The last Annual Report on Remuneration was approved by shareholders at the AGM on 21 July 2016. The following voting outcomes were disclosed after the relevant AGM:

| Resolution | Total for (number of votes) | % of vote | Total against (number of votes) | % of vote | Votes withheld ¹ (number of votes) |
|---------------------------------------|-----------------------------------|-----------|---------------------------------------|-----------|--|
| Directors' Remuneration Policy Report | 289 561 233 | 97.87 | 6 296 870 | 2.13 | 2 779 849 ² |
| Annual Report on Remuneration | 295 781 004 | 93.00 | 22 275 432 | 7.00 | 2 415 721 ³ |

1 Votes withheld are not counted in the calculation of the proportion of votes for or against a resolution.

2 On 24 July 2014, there were 467,386,228 ordinary shares in issue, excluding treasury shares.

3 On 21 July 2016, there were 466,659,112 ordinary shares in issue, excluding treasury shares.

The Remuneration Committee

Meetings during the year

The Remuneration Committee comprises independent non-executive directors. The Committee met six times during the year. Membership and attendance during the year were as follows:

| Directors as at 31 March 2017 | Number of meetings attended | Number of meetings eligible to attend |
|-------------------------------|-----------------------------------|--|
| Anne Minto (Chr) | 6 | 6 |
| William Camp | 6 | 6 |
| Paul Forman | 6 | 6 |
| Lars Frederiksen ¹ | 4 | 6 |
| Jeanne Johns | 4 | 4 |
| Dr Ajai Puri | 6 | 6 |

1 Unable to attend meetings due to pre-existing conflicts, one of which included an induction meeting at an overseas Tate & Lyle location.

The Committee met twice after the end of the financial year, and before the signing of this Annual Report. The Company Secretary serves as secretary to the Committee. The Chairman of the Board; the Chief Executive; the Executive VP, Human Resources; the VP, Global Compensation and Benefits; and the Executive VP, General Counsel are normally invited to attend meetings to assist the Committee, although none is present or involved when his or her own remuneration is discussed. The Chairman-designate was invited to attend meetings following his appointment to the Board on 1 January 2017. The Committee's external advisor (Deloitte LLP) attends each meeting to provide independent advice, and also provides regular updates to the Committee on relevant corporate governance and market-related developments.

Main responsibilities of the Remuneration Committee

The main responsibilities of the Committee include:

- Assessing the appropriateness of executive remuneration in the context of the Group's strategy and priorities as well as overall competitiveness, taking into account data from independent, external sources
- Setting the detailed remuneration of the executive directors, designated members of senior management, and the Company Chairman (in consultation with the Chief Executive), including: base salary or fees; annual bonus; long-term incentives; benefits; and contractual terms
- Setting performance targets for awards made to senior executives under the annual bonus plan and the long-term incentive plan, and reviewing performance outcomes
- Reviewing the broader operation of the annual bonus and Performance Share Plans, including participation and overall award levels
- Reviewing its own effectiveness each year.

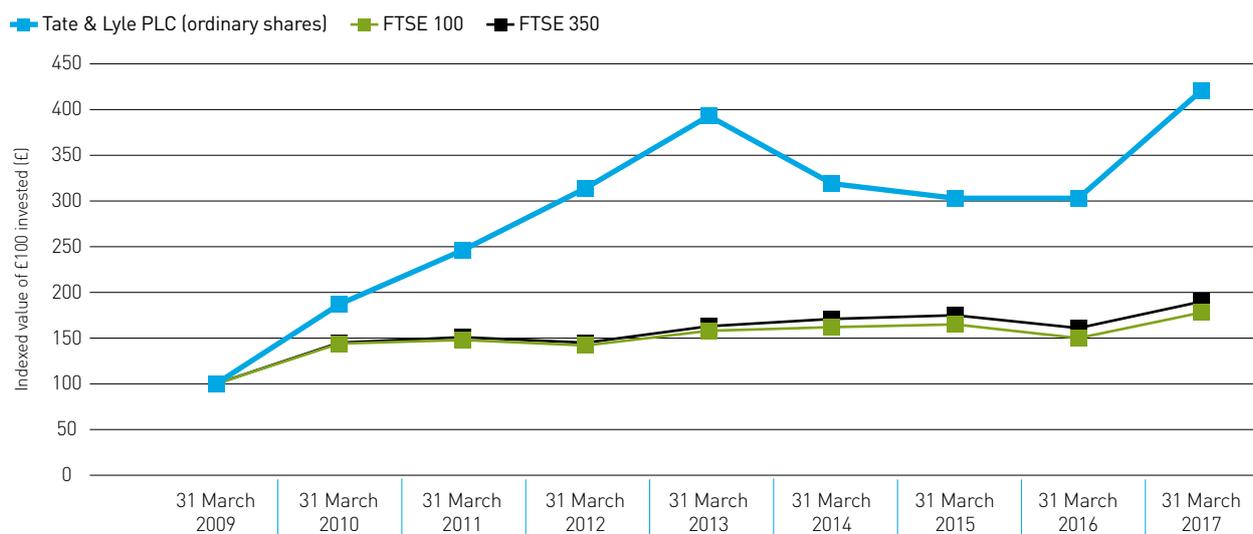
The Committee has a formal calendar of items for consideration. The Committee's terms of reference, which are reviewed annually, are available on the Company's website, www.tateandlyle.com.

Committee advisor

We appointed Deloitte LLP as our external advisor following a review and competitive tender process during 2012. As part of its annual processes, the Committee considered and confirmed that advice received during the year from Deloitte LLP was objective and independent. Deloitte LLP is a signatory to the Remuneration Consultants' Code of Conduct; this gives the Committee additional confidence that the advice received is objective and independent of conflicts of interest. Fees charged by Deloitte LLP for the provision of remuneration advice to the Committee amounted to £59,100 for the year ended 31 March 2017, with fees being charged on a time incurred basis. During the year, Deloitte LLP also provided services to the rest of the Group on corporate finance, consulting, systems, tax compliance and accounting.

Chart showing total shareholder return and Chief Executive's pay

The chart illustrates the cumulative total shareholder return (TSR) performance of the Company against the FTSE 100 and FTSE 350 Indices over the past eight years. These Indices are considered to provide an appropriate comparison as they represent a broad equity market with constituents comparable in size and complexity to the Company over the period to which the chart relates. The graph shows the value of £100 invested in each Index and the Company in the eight years from 31 March 2009.



Chief Executive's¹ total remuneration (£000s per single figure table)

| | | | | | | | | |
|--------------------------------|-------|-------|---------------------|-------|-------|-----|-------|-------|
| Javed Ahmed | 977 | 3 277 | 11 198 ² | 5 367 | 2 728 | 996 | 2 139 | 3 239 |
| Iain Ferguson | 1 312 | nil | 170 | n/a | n/a | n/a | n/a | n/a |
| Annual bonus (% of maximum) | 86% | 100% | 58% | 18% | 1.6% | 0% | 77% | 80% |
| LTI vesting (% of maximum) | 0% | 81% | 100% | 100% | 67.7% | 0% | 10.9% | 50% |

1 Javed Ahmed has served as Chief Executive since his appointment on 1 October 2009. Iain Ferguson was Chief Executive prior to that date.

2 The total remuneration figure shown for the year ended 31 March 2012 includes one-off compensatory appointment awards.

Directors' Remuneration Report continued

Comparison of movement in Chief Executive and broader employee remuneration

| Change in value: year ended 31 March 2017 vs 31 March 2016 | Base salary | Value of benefits ¹ | Annual bonus ³ |
|--|-------------|--------------------------------|---------------------------|
| Chief Executive | 0% | 110% | 4% |
| Broader employee population ² | 3% | 16% | 22% |

1 No changes to benefit policies were made in respect of the Chief Executive or employees during the year. The percentage change in the employee benefits figure is the result of differences in employee participation levels and changes in the cost of insured benefits, including healthcare. The increase in the Chief Executive's benefits figure reflects the increased cost of international healthcare since the position was originally established on appointment in 2009, driven by periodic premium renewals and the rates based on age and medical inflation trends over time (as described on page 76 of last year's report).

2 The broader employee population refers to a global population of salaried employees for salary comparison and the UK employee population for the benefits comparison, reflecting the context in which executive directors' salaries and benefits are determined. For the bonus comparisons, it refers to the global group of participants in the annual bonus plan so that the combination of business performance across our divisions that contributes to the Group's results is appropriately represented.

3 Includes deferred shares where applicable.

Relative importance of spend on pay

| | Year ended 31 March 2017 | Year ended 31 March 2016 | % change |
|--|-----------------------------|-----------------------------|----------|
| Remuneration paid to or receivable by employees of the Group (continuing operations) | £328m | £262m | 25.2% |
| Distributions to shareholders (by way of dividend and purchase of ordinary shares) | £148m | £137m | 8.0% |

The year on year variance in employee remuneration is attributable to factors including foreign exchange rate movements (reflecting our significant US employee base) as well as variable pay arrangements driven by Group financial performance.

See Notes 10, 14 and 22 for further information.

Directors' salaries and fees

The sections that follow provide more information on remuneration decisions and the operation of incentive plans during the year ended 31 March 2017.

Base salary

Executive directors' salaries are reviewed annually, with effect from 1 April. At the 2017 review, the Committee agreed executive directors' salaries for the year ahead, taking current market positioning into account. The average increase awarded to employees across the Group was approximately 3%.

| Executive directors' base salaries as at 1 April (£) | 2017 | 2016 | % change |
|--|---------|---------|----------|
| Javed Ahmed | 721 000 | 721 000 | 0% |
| Nick Hampton | 525 550 | 512 750 | 2.5% |

Executive directors' external appointments

Nick Hampton was appointed as a non-executive director of Great Portland Estates plc on 17 October 2016, and received fees of £31,319 in the period to 31 March 2017 which he is entitled to retain.

Chairman's and non-executive directors' fees

Fees are reviewed annually, in accordance with our stated Policy, by the Committee (excluding the Chairman) in respect of the Chairman's fee, and by the Chairman and the executive directors in respect of other non-executive directors' fees.

At the 2017 review, taking into account the competitiveness of current fees against the comparable market position, and the time commitment required of each role and the level of increase applicable to UK employees, it was agreed that fees would be increased as summarised in the table below.

| Fees (per annum) as at 1 April (£) | 2017 | 2016 | % change |
|--|--------|--------|----------|
| Basic fees | | | |
| Non-executive director | 66 350 | 64 750 | 2.5% |
| Senior Independent Director | 76 900 | 75 050 | 2.5% |
| Supplemental fees (per annum) | | | |
| Chairman of Audit Committee | 17 600 | 17 150 | 2.5% |
| Chairman of Remuneration Committee | 13 200 | 12 900 | 2.5% |
| Chairman of Corporate Responsibility Committee | 11 750 | 11 450 | 2.5% |
| Chairman of Research Advisory Group | 24 600 | 24 000 | 2.5% |

Dr Gerry Murphy was appointed Chairman on 1 April 2017 and will receive a total annual fee of £350,000 which will not be reviewed until 2019.

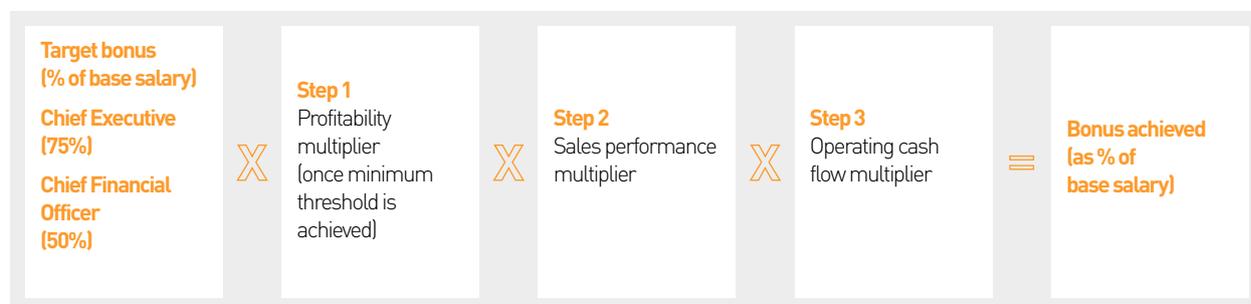
Annual bonus

Overview

The bonus structure described here applied during the year ended 31 March 2017 and will be retained for the year ending 31 March 2018, with a change to the top-line sales/growth metric, as described below.

The bonus is based on performance against three objectives: profitability; sales performance; and operating cash flow. Before any bonus is payable, a minimum level of profit has to be achieved by the Group, regardless of performance against the other metrics.

For each performance metric, there is a corresponding multiplier, which varies between threshold, target and stretch levels of performance. Once the minimum profit threshold is achieved, bonuses are calculated by applying the multipliers, which have the effect of increasing or decreasing the value of the bonus depending on performance against each metric in turn.



At target level of performance, the multiplier is one for each metric, so if performance is 'at target' against each metric, the result is a 'target' bonus outcome. To achieve the maximum payout, performance against all three metrics must be at or above the stretch level. Profit performance is the most important of the three metrics, so multipliers for the profitability factor are more heavily geared than for the other two metrics, that is, improvements in profitability have a significantly greater impact on bonus payments. All multipliers and their weightings are agreed by the Committee when targets are set at the start of the year, reflecting the importance of each of the metrics in the context of the progress made against the Group's long-term business strategy.

The maximum bonus opportunity is 175%. Above a certain level of performance, the bonus calculation for the Chief Executive is made on the basis that the bonus 'target' is 50% (rather than 75%) of salary.

Malus/claw back provisions

Both the cash and share elements are subject to malus and claw back provisions for a period of 24 months following the award. This means that they may be recouped in whole or in part, at the discretion of the Committee, in the exceptional event that results were found to have been misstated or if an executive director commits an act of gross misconduct.

Deferral into shares

The bonus amount up to 100% of base salary is paid in cash. The excess above 100% of base salary is paid in the form of deferred shares. The shares are released after two years subject to the executive director remaining in service with the Group, and carry the right to receive a payment in lieu of dividend between award and release. Both the cash and share elements are subject to malus and claw back provisions, as set out above.

Arrangements for the coming year

This overall framework will be retained for the year ahead, with a change to the top-line 'growth' metric. The Committee has agreed that targets for the year ahead will be set against an SFI volume growth metric, which is a key driver of our long-term business strategy and 2020 Ambition. The selection of an SFI volume metric is consistent with our reported KPIs, and does not suffer from the impact of fluctuating corn price in the way that an equivalent sales metric would. We understand shareholders regard this metric as a key indicator of progress against our strategy, and we believe this metric will place greater focus on the necessary actions to grow the SFI business consistent with our business strategy. The overall bonus framework will continue to give the greatest weighting to the Group profit metric, and retains the requirement that a minimum level of profit must be achieved before any bonus is payable regardless of performance against other metrics.

The Board considers that bonus targets for the year ahead are commercially sensitive because they may reveal information about the business plan in the year ahead that may damage our competitive advantage, and accordingly does not disclose these on a prospective basis. However, we continue our practice of reporting targets in full, and the level of performance actually achieved, for the year just ended.

Directors' Remuneration Report continued

Overview for the year ended 31 March 2017

Awards are linked to stretching financial targets set at the start of the year

Bonus awards at near maximum levels reflect very strong underlying financial performance

- 20%¹ increase in Group adjusted profit before tax, driven by good performance in both divisions
- SFI operating profit +5%¹, with 8%¹ profit growth in core business despite North America volume growth remaining challenging. New Products sales increased 22% to US\$105 million
- BI operating profit +32%¹ driven by strong commercial execution, good demand, robust margins and solid manufacturing performance
- Cash delivery was outstanding with adjusted free cash flow more than three times higher than the prior year, driven by higher earnings, management of capital expenditure and currency translation.

¹ At constant currency.

Annual bonus for the year ended 31 March 2017 (audited)

The table below provides further information on each metric, the targets set at the start of the year and actual performance for the year.

| Bonus objective | | Profitability | Growth | Cash management |
|---------------------------------|-----------|--|---|---|
| Metric | | Adjusted profit before tax | Net sales less cost of raw materials | Operating cash flow |
| Definition | | Adjusted profit before tax, exceptional items, amortisation and net retirement benefit interest | Net sales less costs of raw materials used in production | Adjusted group operating cash flow, based on the average of half-year and full-year figures |
| Rationale | | Measures the underlying profit generated by the business and whether management is converting growth into profit effectively | Measures whether management is growing the business: by assessing growth after deducting the cost of raw materials, this metric better reflects the value added by the business | Measures whether the business is managing its working capital and converting profit into cash effectively |
| Targets ¹ | Threshold | £192m | £1 257m | £87m |
| | Target | £206m | £1 343m | £97m |
| | Stretch | £216m | £1 370m | £107m |
| Actual performance ¹ | | £233m | £1 397m | £114m |

¹ Bonus targets are set and actual performance is assessed at constant (budget) exchange rates, reflecting consistent practice with prior years.

Actual performance in the year against each of the three performance metrics has exceeded the corresponding 'stretch' targets.

In determining final bonus awards, the Committee also considers the Group's overall operational and financial performance to ensure the results are consistent with the Group's underlying strength and performance. Having taken the Group's safety performance into account, the Committee exercised its discretion to reduce the level of bonus payable to executive directors and other members of the Executive Committee. For the Chief Executive, this reduction was 20% and for the Chief Financial Officer this reduction was 10%. Accordingly, the Committee has approved awards of 140% of salary for the Chief Executive and 158% of salary for the Chief Financial Officer.

Long-term incentive – Performance Share Plan (PSP)

Overview

The PSP provides a share-based incentive to closely align executive directors' and senior executives' interests with the strategy and with the interests of shareholders over the long term. It is therefore an important component of the overall package.

Maximum award level

Since the 2010 AGM, awards to executive directors and other senior executives have been granted at the discretion of the Committee, with flexibility for the Committee to make awards of up to 300% of base salary where necessary to ensure market competitiveness, while taking into account Group performance. Individual awards made in any year are considered by the Committee on a case-by-case basis.

Performance conditions for awards to 2015

The release of awards depends on the Group's performance during the three-year performance period beginning on 1 April in the year of the award. For awards made in the years 2010 to 2015 (inclusive), the performance conditions comprised two elements, explained in the table below. These metrics were selected following the review and consultation with shareholders at that time, as they represented key drivers of shareholder value creation for the Group as a whole.

| Metric | Earnings per share (EPS) | Return on capital employed (ROCE) | | |
|---|---|--|-------------------------|---|
| Definition | Compound annual growth rate (CAGR) of the Group's adjusted diluted EPS from continuing operations over the performance period | Adjusted ROCE on continuing operations achieved at the end of the three-year performance period ^{1,2} | | |
| Weighting | 50% of the award depends on this metric | 50% of the award depends on this metric | | |
| Vesting schedule (2013, 2014 and 2015 awards) | EPS performance (CAGR) | Vesting outcome (% of maximum) | ROCE performance | Vesting outcome (% of maximum) |
| | Below 6% | Nil | Below 12.6% | Nil |
| | 6% | 15% | 12.6% | 15% |
| | Between 6% and 15% | On a straight line between 15% and 100% | Between 12.6% and 15.6% | On a straight line between 15% and 100% |
| | At or above 15% | 100% | At or above 15.6% | 100% |

1 The ROCE outcome may be adjusted downward in the event of an asset impairment (adding this back into capital employed); this is to encourage a prudent investment strategy. In these circumstances, the ROCE figure for PSP purposes can be significantly lower than would otherwise be reported.

2 ROCE performance for awards made in 2013, 2014, and 2015 is assessed on the basis of proportionate consolidation of joint ventures, consistent with the basis on which targets were set for these awards prior to their grant.

Before any shares are released, the Committee must also be satisfied that the level of vesting determined by performance against these targets is justified by the broader underlying financial performance of the Group.

2014 PSP awards vesting by reference to the period ended 31 March 2017 (audited)

PSP awards made in 2014 were dependent on EPS growth and ROCE targets as described above, with each condition applicable to half of the award. Performance against these conditions and the vesting outcome is indicated in the table below.

| Performance condition | Weighting | Performance outcome | Vesting outcome for this element | Combined vesting outcome |
|-----------------------|-----------|---------------------|----------------------------------|---|
| EPS growth | 50% | -5.4% | nil (below threshold) | Based on the combination of EPS and ROCE performance, 50% of the PSP awards made in 2014 will vest. |
| ROCE | 50% | 16.0% ¹ | full vesting (above stretch) | |

1 ROCE performance is shown under proportionate accounting consistent with the basis on which the targets for the 2014 award were established.

The performance period applicable to 2014 awards is 1 April 2014 to 31 March 2017. Over this period, earnings per share did not meet threshold, and accordingly the 50% of the award which relates to that performance metric will lapse. Over the same period, the business has maintained clear principles in relation to the disciplined use of capital, and ROCE performance of 16.0% (under proportionate accounting) will result in 50% of the total award being permitted to vest.

In confirming the vesting outcome, the Committee also considered the broader underlying financial performance of the Group over the performance period, including the impact of impairments, to ensure that vesting results based on these performance outcomes are consistent with a broader view of the financial health and performance of the business.

Directors' Remuneration Report continued

2016 PSP framework aligns with the long-term Group strategy

The performance framework for awards made from 2016 was carefully developed to reflect the strategy and 2020 Ambition. The metrics detailed below align the PSP with our strategic priorities to deliver long-term value by:

- Incentivising overall growth in the value of the Group.
- Focusing on above-market growth in our higher value SFI business.
- Incentivising the maintenance of a strong balance sheet.

With this approach, the Committee remains confident that PSP awards remain appropriately aligned with the strategy and priorities of the business, and our long-term outlook as expressed in the 2020 Ambition.

We consulted with a broad group of our largest shareholders on these proposals, and note that the proposals met with high levels of support during that consultation, and were strongly endorsed by shareholders at the 2016 AGM.

See pages 74 and 75 of our 2016 Annual Report for more details.

Performance conditions for awards from 2016

In summary, the metrics and targets for awards made from 2016 are:

- ROCE performance applies to half of the award, as we continue to believe very strongly in the efficient deployment of Group capital.
- The other half of the award is focused on profit growth: to best reflect our business mix and growth priorities, half of this element relates to growth in Group adjusted profit before tax, while half relates to growth in SFI adjusted operating profit excluding SPLENDA® Sucralose.

Appropriate threshold and stretch targets for each of these metrics were considered carefully by the Committee taking into account a number of reference points, as indicated below. Overall, performance at these levels requires both our Speciality Food Ingredients (SFI) and Bulk Ingredients (BI) businesses to perform strongly in their respective markets. SFI should grow modestly ahead of the global market (which is expected to grow at c. 4-5%), and the BI business should be managed for steady earnings against a US bulk sweeteners market that is in long-term structural decline (see pages 16 and 17 for more details in Marketplace).

| Metrics for 2016 Awards (weighting) | Rationale for metric | Target range (threshold-stretch) | Rationale for target ranges |
|--|---|--|--|
| SFI adjusted operating profit (excluding SPLENDA® Sucralose) (25%) | Consistent with the SFI growth-led business strategy and investment case | 8% – 13% p.a. three-year compound growth | <ul style="list-style-type: none"> • Targets above-market SFI growth and significant New Product sales expressed in 2020 Ambition • Value generative in the context of global market growth of 4-5% and our historic operating profit growth trend of c. 7% (excluding SPLENDA® Sucralose) • Growth rates reflect 2020 Ambition that Group profits from SFI increase to 70% over time |
| Group adjusted profit before tax (25%) | Key performance metric to drive sustainable long-term profitable growth | 5% – 10% p.a. three-year compound growth | <ul style="list-style-type: none"> • Targets are consistent with execution of Group strategy: steady earnings from BI (currently c. 40-50% of profits, redeploying capacity to SFI over time), with profitable SFI growth ahead of the market • Targets are aligned with our long-term plan and the realities of our operating model (without growth investment in BI) |
| Group adjusted ROCE (50%) | Drives efficient investment for value-added returns from the total business | 12% – 16% in the final year of the three-year performance period | <ul style="list-style-type: none"> • ROCE targets drive disciplined/efficient approach to capital allocation • Reflects geographic footprint (post exit from European bulk business) • Incentivises ROCE progression from current levels |
| Financial underpin | Before any shares are released, the Committee must also be satisfied that the level of vesting determined by performance against these targets is justified by the broader underlying financial performance of the Group. | | |

Targets are set and performance is assessed at reported exchange rates.

The Committee reviews the appropriateness of metrics and targets ahead of the grant of awards in any year to ensure they remain sufficiently stretching.

The level of vesting at threshold is limited to 15% of the maximum for executive directors.

Post-vesting holding period and dividend underpin

- A post-vesting holding period. Executive directors will be required to hold shares for a two-year period after the end of the three-year performance period (i.e. the combination of performance and holding period will be five years in total). This holding period will sit alongside the existing personal shareholding requirements and claw back/malus provisions, and demonstrates a strong long-term alignment with shareholder interests.
- A dividend underpin supplements the existing financial performance underpin. The Committee retains a specific additional discretion to reduce PSP vesting for the performance period, regardless of the level of achievement against the applicable performance conditions, if dividends paid by the Group over the performance period do not conform to the stated dividend policy. We have made a commitment to a progressive dividend policy, where we aim to grow the dividend over time taking into account the earnings prospects of the business. This approach recognises the importance of the dividend to investors, and underlines the Group's commitment to the stated dividend policy.

Malus and claw back provisions

Awards made under the PSP from 1 April 2013 are subject to malus and claw back provisions for a period following the vesting date and extending to the fifth anniversary following the date of grant. During this period, the Committee may determine that an award will lapse wholly or in part (or may require that a participant shall repay up to 100% of the value of any award that has vested by virtue of performance), in the event of circumstances including the following: material misstatement of financial results; misconduct which justifies, or could justify, summary dismissal of the participant; or if information emerges which would have affected the value of the original award that was granted to a participant, or the level at which the performance conditions were judged to have been satisfied.

Directors' Remuneration Report continued

Other audited disclosures

Single figure table (audited)

| £000s | Salary/fees | | Benefits ¹ | | Annual bonus | | Share awards | | Pension | | Total | |
|--|--------------|--------------|-----------------------|-----------|-------------------|--------------|--------------------|------------------|------------|------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 ³ | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Chairman | | | | | | | | | | | | |
| Sir Peter Gershon | 334 | 325 | - | - | - | - | - | - | - | - | 334 | 325 |
| Executive directors | | | | | | | | | | | | |
| Javed Ahmed | 721 | 721 | 42 | 20 | 1 009 | 968 | 1 215 ⁴ | 178 | 252 | 252 | 3 239 | 2 139 |
| Nick Hampton | 513 | 495 | 13 | 13 | 808 | 665 | 1 676 ⁵ | 521 ⁵ | 128 | 123 | 3 138 | 1 817 |
| Non-executive directors^{2,6} | | | | | | | | | | | | |
| Liz Airey | 72 | 73 | - | - | - | - | - | - | - | - | 72 | 73 |
| William Camp | 76 | 74 | - | - | - | - | - | - | - | - | 76 | 74 |
| Paul Forman | 65 | 63 | - | - | - | - | - | - | - | - | 65 | 63 |
| Lars Frederiksen | 65 | - | - | - | - | - | - | - | - | - | 65 | - |
| Douglas Hurt | 84 | 80 | - | - | - | - | - | - | - | - | 84 | 80 |
| Jeanne Johns | 28 | - | - | - | - | - | - | - | - | - | 28 | - |
| Anne Minto | 78 | 75 | - | - | - | - | - | - | - | - | 78 | 75 |
| Dr Gerry Murphy | 88 | - | - | - | - | - | - | - | - | - | 88 | - |
| Dr Ajai Puri | 89 | 86 | - | - | - | - | - | - | - | - | 89 | 86 |
| Sybella Stanley | 65 | - | - | - | - | - | - | - | - | - | 65 | - |
| Former director | | | | | | | | | | | | |
| Virginia Kamsky ⁶ | - | 16 | - | - | - | - | - | - | - | - | - | 16 |
| Totals | 2 278 | 2 008 | 55 | 33 | 1 817 | 1 633 | 2 891 | 699 | 380 | 375 | 7 421 | 4 748 |

1 Benefits for executive directors include health insurance and car allowance. As stated last year, the cash value of the healthcare benefit provided to the Chief Executive has increased to reflect the cost of provision of international healthcare benefits since the position was originally established on appointment in 2009 (driven by periodic premium renewals and the rates based on age and medical inflation trends over time).

2 In accordance with the Group's expenses policies, non-executive directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where those costs are treated by HMRC as taxable benefits, the Group also meets the associated tax cost to the non-executive director through a PAYE settlement agreement with HMRC. Amounts are minimal and do not show in the table after rounding.

3 Bonus includes the value of deferred shares. The cash bonus award to Javed Ahmed was £721,000 and the cash bonus award to Nick Hampton was £512,750.

4 This is the PSP Award made in 2014. PSP awards outcomes are discussed on page 91.

5 This relates to compensatory share awards made in connection with Mr Hampton's employment. Further details are provided on page 96.

6 Year-on-year changes reflect changes in Committee chairmanship and Senior Independent Director responsibilities (see page 13). Dr Gerry Murphy, Lars Frederiksen, Jeanne Johns and Sybella Stanley joined the Board during the year; Virginia Kamsky stepped down as a Director on 1 July 2015.

Total pension entitlements (audited)

Directors participate in arrangements that are defined contribution in nature. Contributions made to or in lieu of pension in respect of each director during the year are shown in the single figure table, and are equivalent to 35% of salary for the Chief Executive and 25% for the Chief Financial Officer.

Payments to past directors (audited)

There have been no payments to past directors other than as disclosed in this Report. No loss-of-office payments have been made during the year.

Share awards made during the year (audited)

| | Award | Type of award | Date of grant | Number of shares | Face value of award | Performance conditions | Performance period | % of vesting at threshold |
|---------------------|-------------------------------------|-----------------|----------------|------------------|-------------------------|---|--|---------------------------|
| Javed Ahmed | Group Bonus Plan (31 March 2016) | Nil cost option | 25 May 2016 | 42 742 | £247 113 ¹ | None ² | Two years | n/a |
| | Performance Share Plan ³ | Nil cost option | 10 August 2016 | 374 124 | £2 162 998 ³ | 25% SFI adjusted operating profit (excluding SPLEND [®]); 25% Group adjusted profit; 50% adjusted ROCE ⁴ | Three financial years ending 31 March 2019 | 15% |
| Nick Hampton | Group Bonus Plan (31 March 2016) | Nil cost option | 25 May 2016 | 29 368 | £169 791 ¹ | None ² | Two years | n/a |
| | Performance Share Plan ³ | Nil cost option | 10 August 2016 | 266 064 | £1 538 249 ³ | 25% SFI adjusted operating profit (excluding SPLEND [®]); 25% Group adjusted profit; 50% adjusted ROCE ⁴ | Three financial years ending 31 March 2019 | 15% |

1 Deferred shares are granted under the annual bonus plan (as described on page 89). The full value of these awards has been previously disclosed for each Director in the 'single figure' table in last year's Annual Report for the year ended 31 March 2016. The share allocation is made during the year ending 31 March 2017, and shown in the table above, based on the average share price over the last three months of the preceding financial year, being 578.15 pence per share for the 2016 award.

2 Deferred bonus awards were subject to performance conditions in the year ending 31 March 2016, and remain subject to continued employment.

3 Under the terms of the plan approved by shareholders, the number of shares comprising an award in any year is calculated based on the average share price over the last three months of the preceding financial year, being 578.15 pence per share for the 2016 award. During the year, the Committee approved awards of 300% of salary for the Chief Executive and 300% of salary for the Chief Financial Officer, which is within our approved Remuneration Policy.

4 Performance conditions applicable to Performance Share Plan awards made in 2016 are described on page 92.

Historic awards under all-employee schemes (audited)

The table below sets out the current position of options to subscribe for ordinary shares of the Company that were granted to current and former executive directors in the years prior to the current reporting year.

Savings-related share options are options granted under the HMRC-approved Sharesave Plan. Options are granted on the same terms to all participating employees, are not subject to performance conditions, and are normally exercisable during the six-month period following the end of the relevant three- or five-year savings contract. The exercise price reflects a 20% discount to market value as permitted under HMRC rules, and is applicable to all participants.

| | As at 1 April 2016 (number) | Options vested during year (number) | Options exercised during year (number) | Options lapsed during year (number) | As at 31 March 2017 (number) | Exercise price (pence) | Exercise period |
|---|-----------------------------|-------------------------------------|--|-------------------------------------|------------------------------|------------------------|----------------------|
| Javed Ahmed Savings-related options 2014 | 5 941 | – | – | – | 5 941 | 510.00 | 01/03/20 to 31/08/20 |
| Nick Hampton Savings-related options 2014 | 3 529 | – | – | – | 3 529 | 510.00 | 01/03/20 to 31/08/20 |

Directors' Remuneration Report continued

Share awards made in prior years (audited)

The table below sets out the current position of share-based awards made to executive directors.

| | As at 31 March 2016 (number) | Awards vested during year (number) | Awards lapsed during year (number) | Awards exercised during year (number) | As at 31 March 2017 (number) | Market price on date awards granted (pence) | Market price on date awards exercised (pence) | Vesting date |
|---|---------------------------------------|--|--|---|---------------------------------------|--|--|----------------|
| Javed Ahmed | | | | | | | | |
| Share-incentive arrangements on recruitment: | | | | | | | | |
| Compensatory Award A ¹ | 419 403 | – | – | – | 419 403 | 444.90 | – | 01/10/11 |
| Performance Share Plan^{2,3}: | | | | | | | | |
| 2013 | 267 418 | 29 148 | 238 270 | – | 29 148 | 817.50 | – | 15/06/16 |
| 2014 ⁴ | 305 584 | – | – | – | 305 584 | 707.83 | – | After 31/03/17 |
| 2015 | 292 595 | – | – | – | 292 595 | 616.04 | – | After 31/03/18 |
| Nick Hampton | | | | | | | | |
| Share incentive arrangements on recruitment⁵: | | | | | | | | |
| 2014 Restricted Share Award | 96 681 | – | – | 96 681 | – | 620.60 | 738.50 | 01/09/15 |
| | 96 680 | 96 680 | – | 96 680 | – | 620.60 | 696.00 | 01/09/16 |
| 2015 Restricted Share Award | 121 781 | – | – | – | 121 781 | 574.80 | – | After 31/03/17 |
| Performance Share Plan^{2,3}: | | | | | | | | |
| 2015 | 241 251 | – | – | – | 241 251 | 616.04 | – | After 31/03/18 |

1 This award, to compensate Javed Ahmed for certain long-term incentives given up by him as a consequence of leaving his former employer, was not subject to performance conditions. The shares were available to exercise from 1 October 2011, being the second anniversary of Javed Ahmed joining the Group, and will remain exercisable until 30 September 2017. Pending delivery, he receives a payment in lieu of dividend on these shares which is subject to the deduction of tax. In the event of a change in control, the shares would be delivered immediately.

2 The three-year performance period for these awards began on the first day of the financial year in which the award was granted.

3 The performance conditions for PSP awards made in 2013, 2014 and 2015 are 50% adjusted diluted EPS and 50% adjusted ROCE, as described in this Report.

4 The PSP award made in 2014 will vest at 50%, following the Committee's assessment of performance conditions (as described on page 91).

5 These awards were made in connection with Nick Hampton's employment, to compensate him for incentives forfeited with his previous employer, as described in the 2014 and 2015 Directors' Remuneration Reports (which were subject to advisory shareholder votes at the 2014 and 2015 AGMs):

- 2014 Restricted Share Award (RSA): As described on pages 71 and 76 of the 2015 Annual Report, the 2014 RSA may vest in two equal tranches on the first and second anniversary of appointment, subject to employment and specified performance conditions. The Committee approved the vesting of the first tranche of the award on 1 September 2015, as described on page 78 of the 2016 Annual Report. The Committee approved the vesting of the second tranche of the award, in full, on 1 September 2016, being the second anniversary of appointment, taking into account Nick Hampton's specific strategic and operational contributions to the business, including:
 - Establishing a Business Performance Management function and leading global procurement initiatives to deliver material financial benefits reflected in Group financial performance through FY16, in the context of very significant commodities weakness (adverse £29m, as reported with our financial results for the period ending 31 March 2016), as well as demonstrable improvements in working capital and cash flow performance over the same period.
 - Leadership of a robust long-term financial planning exercise linked to our stated 2020 Ambition and associated Capital Markets event in January 2016. Implementation of a revised approach to better link the longer-term commercial and capital expenditure plans through to annual operating planning objectives and execution plans. These processes are underpinned by strengthened sales forecasting and operational (supply chain and demand planning) processes to enable the business to deliver more stable financial performance compared with when Nick joined the business, and to enable the Group to better respond to market challenges and unforeseen risks during the year.
 - Strong overall stewardship of the major change projects executed during FY16 (Eaststarch business realignment and consolidation of Sucralose manufacturing), with the final outcomes delivered to the planned time-horizons and with exceptional cash costs lower than planned.
 - Leading the improvements in our communications with the market, including the development of the enhanced disclosure framework, a refreshed equity story and clear articulation of the 2020 Ambition with our half-year results in November 2015, and the Capital Markets event in January 2016, that received positive investor feedback.
- 2015 Restricted Share Award (RSA): as described on page 71 of the 2015 Annual Report, this award was made to compensate Mr Hampton for incentives forfeited with his previous employer and will vest, based on continued employment and satisfactory personal performance, following the announcement of results for the year ending 31 March 2017.

Statement of Directors' shareholding and share interests

Personal share ownership requirements (policy on executive share ownership)

The Committee and executive management believe that personal investment in Company shares is an important part of our overall remuneration framework. Material personal investment in Company shares serves to strengthen the long-term alignment of interests between senior executives and shareholders.

Our executive shareholding requirements are more demanding and extend to a greater number of senior executives in the Group when compared with similar UK-listed companies.

- The Chief Executive has a target share ownership requirement of four times base salary. At 31 March 2017, he holds shares in accordance with this policy with a value in excess of 30 times base salary.
- The Chief Financial Officer has a target shareholding of three times base salary, to be achieved within five years of appointment. Nick Hampton joined the Group in September 2014, and therefore has until September 2019 to meet this target. At 31 March 2017, he holds shares in accordance with the policy with a value of just under two times base salary.
- Other Executive Committee members are subject to the share ownership policy, with target holdings at three times salary.
- This policy extends to a broader group of executives who have senior leadership roles within the Group. The shareholding target for this group is equal to their base salary.

Under the shareholding policy, the value of shareholdings is assessed net of tax, at the prevailing share price, and executives are expected to reach the required level of shareholding within five years of appointment. The Committee monitors progress against the share ownership requirements annually.

Directors' interests (audited)

The interests held by each person who was a Director during the financial year in the ordinary shares of 25 pence each in the Company are shown below. All these interests are beneficially held and no Director had interests in any other class of shares. The table also summarises the interests in shares held through the Company's various share plans.

| | Interest in shares ¹ | Shares – conditional on performance ² | Shares – not conditional on performance ³ | Options – not conditional on performance ⁴ | Total as at 31 March 2017 | Total as at 31 March 2016 |
|--------------------------------|---------------------------------|--|--|---|---------------------------|---------------------------|
| Chairman | | | | | | |
| Sir Peter Gershon | 155 146 | – | – | – | 155 146 | 149 729 |
| Executive directors | | | | | | |
| Javed Ahmed | 3 098 850 | 972 303 | 491 293 | 5 941 | 4 568 387 | 4 319 633 |
| Nick Hampton | 122 161 | 507 315 | 151 149 | 3 529 | 784 154 | 579 922 |
| Non-executive directors | | | | | | |
| Liz Airey | 26 000 | – | – | – | 26 000 | 26 000 |
| William Camp | 6 800 | – | – | – | 6 800 | 6 800 |
| Paul Forman | 10 000 | – | – | – | 10 000 | 10 000 |
| Lars Frederiksen | 15 000 | – | – | – | 15 000 | – |
| Douglas Hurt | 10 000 | – | – | – | 10 000 | 10 000 |
| Jeanne Johns | – | – | – | – | – | – |
| Anne Minto | 8 600 | – | – | – | 8 600 | 8 600 |
| Dr Gerry Murphy | 10 000 | – | – | – | 10 000 | – |
| Dr Ajai Puri | 10 018 | – | – | – | 10 018 | 6 018 |
| Sybella Stanley | 4 983 | – | – | – | 4 983 | – |

1 Includes shares owned by connected persons.

2 Includes awards under the PSP. These awards were made as options with a nil exercise price.

3 Includes vested but unexercised awards granted to Javed Ahmed and Nick Hampton, and unvested awards made to Nick Hampton in connection with his appointment. These awards were made as options with a nil exercise price.

4 These are HMRC-approved Sharesave Plan awards.

There were no changes in Directors' interests in the period from 1 April 2017 to 24 May 2017.

The market price of the Company's ordinary shares at the close of business on 31 March 2017 was 764.50 pence, and the range during the year ended 31 March 2017 was 574.50 pence to 807.00 pence.

On behalf of the Board

Anne Minto OBE

Chairman of the Remuneration Committee

24 May 2017

Directors' Report

About the Directors' Report

The Directors' Report comprises the Governance section from pages 52 to 73, the Directors' Report on pages 98 and 99 and the Useful Information section from pages 187. Other information that is relevant to the Directors' Report, and which is incorporated by reference into the Directors' Report, is disclosed as follows:

- Likely future developments of the Company (throughout the Strategic Report)
- Human rights (page 42)
- Greenhouse gas emissions (pages 47 and 48)
- Relationship with employees (page 43)
- Financial instruments (Note 29)
- Post balance sheet events (Note 35).

Results and dividend

A review of the consolidated Group's results can be found on pages 1 to 51.

An interim dividend of 8.2 pence per ordinary share was paid on 3 January 2017. The Directors recommend a final dividend of 19.8 pence per ordinary share to be paid on 1 August 2017 to shareholders on the register on 30 June 2017, subject to approval at the 2017 Annual General Meeting (AGM). The total dividend for the year is 28.0 pence per ordinary share (2016 – 28.0 pence).

The Trustees of the Tate & Lyle PLC Employee Benefit Trust have waived their right to receive dividends over their total holding of 1,956,744 ordinary shares as at 31 March 2017.

Research and development

The Group spent £37 million (2016 – £29 million) on research and development during the year.

Articles of Association

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors, and the conduct of the Board and general meetings. Copies are available on request and are displayed on the Company's website, www.tateandlyle.com.

In accordance with the Articles of Association, Directors can be appointed or removed by the Board or by shareholders in general meeting. Amendments to the Articles of Association have to be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. Subject to UK company law and the Articles of Association, the Directors may exercise all the powers of the

Company, and may delegate authorities to committees, and may delegate day-to-day management and decision making to individual executive directors. Details of the Board Committees can be found on pages 66 to 73 and on page 87.

Share capital

As at 31 March 2017, the Company had nominal issued ordinary and preference share capital of £119 million comprising £117 million in ordinary shares, including £0.9 million in treasury shares and £2 million in preference shares.

To satisfy obligations under employee share plans, the Company issued 20,922 ordinary shares during the year and reissued 230,619 ordinary shares from treasury. The Company issued 1,086 shares during the period from 1 April 2017 to 24 May 2017. Further information about share capital is in Note 22. Information about options granted under the Company's employee share plans is in Note 31.

The Company was given authority at the 2016 AGM to make market purchases of up to 46,643,284 of its own ordinary shares. The Company purchased 2,000,000 of its own ordinary shares during the year ended 31 March 2017; these shares are held in treasury to satisfy awards made under performance share plans. This authority will expire at the 2017 AGM and approval will be sought from shareholders for a similar authority to be given for a further year.

Restrictions on holding shares

There are no restrictions on the transfer of ordinary and preference shares in the capital of the Company.

No limitations are placed on the holding of shares and no share class carries special rights of control of the Company. There are no restrictions on voting rights other than those outlined in 'Shareholders'

rights' on preference shares. The Company is not aware of any agreements between shareholders that may restrict the transfer or exercise of voting rights.

Shareholders' rights

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

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

Change of control

At 31 March 2017, the Group had a committed bank facility of US\$800 million with a number of relationship banks which contains change of control clauses. The Group also had £200 million of Guaranteed Notes and US\$400 million of Private Placement Notes which contain change of control provisions. In aggregate, this financing is considered significant to the Group and in the event of a takeover (change of control) of the Company, these contracts may be cancelled, become immediately payable or be subject to acceleration.

All of the Company's share plans contain provisions relating to a change of control. Further information is set out in the Directors' Remuneration Policy.

Disclosure table pursuant to Listing Rule LR 9.8.4C

In accordance with LR 9.8.4C, the table below sets out the location of the information required to be disclosed, where applicable.

| Applicable sub-paragraph within LR 9.8.4 | Page(s) |
|--|----------------|
| (1) Interest capitalised by the Group | 135 |
| (2) Unaudited financial information | None |
| (4) Long-term incentive scheme only involving a Director | 95 |
| (5) Directors' waivers of emoluments | None |
| (6) Directors' waivers of future emoluments | Not applicable |
| (7) Non pro-rata allotments for cash (issuer) | 98 |
| (8) Non pro-rata allotments for cash (major subsidiaries) | None |
| (9) Listed company is a subsidiary of another company | Not applicable |
| (10) Contracts of significance involving a Director | None |
| (11) Contracts of significance involving a controlling shareholder | Not applicable |
| (12) Waivers of dividends | 98 |
| (13) Waivers of future dividends | 98 |
| (14) Agreement with a controlling shareholder | Not applicable |

DTR Rule 5 disclosure

As at 31 March 2017, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the following holdings of voting rights in its shares:

| | Number of shares ² | % held ² |
|--|-------------------------------|---------------------|
| Black Rock, Inc. ¹ | 46 514 801 | 9.97 |
| Ameriprise Financial, Inc. | 23,767,456 | 5.10 |
| The Capital Group Companies, Inc. | 23,129,245 | 4.96 |
| Artemis Investment Management LLP ¹ | 23,045,106 | 4.94 |
| AXA S.A. ¹ | 22,890,148 | 4.98 |
| Invesco Limited ¹ | 23 111 061 | 4.95 |
| Schroders plc ¹ | 23 098 654 | 4.59 |
| Barclays Global Investors ¹ | 17 568 133 | 3.59 |

In the period from 1 April 2017 to 24 May 2017, Deutsche Bank AG held 23,418,534 shares (5.04%) in the Company. Also during this period, and as notified, its holding reduced to below the 5% reporting threshold.

¹ Notification was made over 12 months ago; as permitted under Rule 5, shareholders are not required to notify us of subsequent changes within certain ranges.

² As at the date in the notification to the Company.

Political donations

Again this year, in line with the Group's policy, no political donations were made in the European Union (EU). Outside the EU, the Group's US business made contributions during the year totalling US\$22,000 (£17,000) (2016 – US\$13,000; £9,000) to state political party committees and to the campaign

committees of state candidates affiliated to the major parties. In all, 11 separate donations were made, the largest being US\$5,000 and the smallest US\$300.

US\$17,450 (£13,000) (2016 – US\$10,500; £7,000) was also contributed by the Tate & Lyle Political Action Committee (PAC). Eight separate donations were made, the largest being of US\$4,500 and the smallest US\$250. The PAC is funded entirely by US employees. Employee contributions are entirely voluntary and no pressure is placed on US employees to participate. No funds are provided to the PAC by Tate & Lyle but under US law, an employee-funded PAC must bear the name of the employing company.

Directors' Statement of Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and Company Financial Statements in accordance with UK GAAP (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs as adopted by the EU have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements
- Prepare the Financial Statements on the going concern basis unless it is

inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group. These records should enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are listed on pages 52 to 55, confirm that, to the best of his or her knowledge:

- The Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy
- The Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the

assets, liabilities, financial position and profit of the Group

- The Company Financial Statements, which have been prepared in accordance with UK GAAP (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law) give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to auditors

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

The Directors' Report on pages 52 to 73, pages 98 and 99 and pages 187 to the inside back cover and the Directors' Remuneration Report from pages 74 to 97 of this Annual Report were approved by the Directors on 24 May 2017.

On behalf of the Board

Claire-Marie O'Grady
Company Secretary

24 May 2017

Independent Auditors' Report to the Members of Tate & Lyle PLC

Report on the Group financial statements

Our opinion

In our opinion, Tate & Lyle PLC's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The Group financial statements comprise:

- the consolidated statement of financial position at 31 March 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union and applicable law.

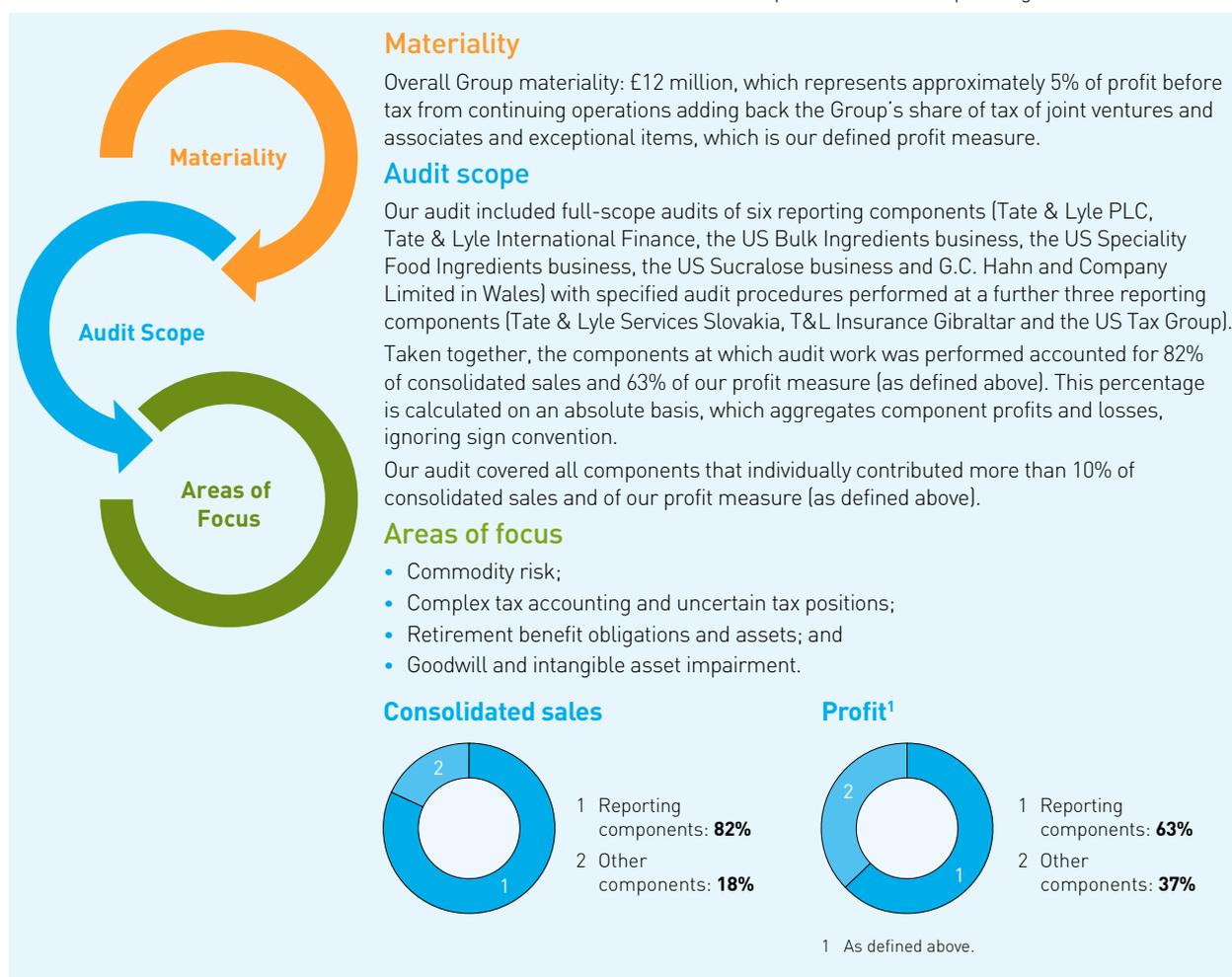
Our audit approach

Context

The context of our audit was set by the Group's major activities in the year ended 31 March 2017 ('FY17'). FY17 was the first year since the Group's re-alignment of the Eaststarch joint venture in Europe and the restructuring of activities in Singapore. Consequently these are no longer included as specific areas of focus for FY17. By comparison, FY17 involved fewer significant business changes, although the Group sold its interest in Howbetter, China and restructured its Food Systems blending sites in Europe.

The goodwill associated with Gemacom, the Group's Food Systems business in Brazil was previously identified by management as sensitive to reasonably possible changes in assumptions. Subsequently management has recorded an impairment of £16 million in FY17. Goodwill and intangible asset impairment has been added as an area of focus given management judgement is exercised in this area.

Our other areas of focus have been further refined to reflect certain developments in the Group during FY17.



The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

| Area of focus | How our audit addressed the area of focus |
|---|---|
| <p>Commodity risk</p> <p>Refer to Notes 2, 28 and 29.</p> <p>The Group's accounting policy is to mark-to-market at each balance sheet date its commodity positions, including its forward sales and purchase contracts with customers and grain suppliers. In addition, certain commodity raw material inventories are measured at net realisable value. The Group manages the commodity price risk on sales and purchase contracts by taking long and short positions and through the use of derivative financial instruments.</p> <p>This was an area of focus due to the complexity of the calculations and the judgement involved in the valuation of certain commodities positions, most notably co-products that do not have an actively traded futures market. These co-products include corn gluten feed, corn gluten meal and corn oil. Additionally, basis adjustments are made to certain commodity valuations to reflect market conditions, which necessitate further management judgement.</p> <p>The fair values of commodities pricing contracts as at 31 March 2017 were assets of £29 million and liabilities of £16 million.</p> | <p>We understood and evaluated management's process for managing the commodity price risk inherent within its commodity positions and compared it with management's underlying risk management and accounting policies. No matters were identified that would indicate that the risk management and accounting policies were not being followed.</p> <p>We obtained management's forward pricing sheet for commodities used in its mark-to-market calculations. For those commodities with an actively traded market, we assessed the consistency of the forward prices with those published by the Chicago Mercantile Exchange. For those commodities where an active futures market does not exist (principally co-products) and for the basis adjustments made, we understood and challenged management's methodology for determining the valuations, including the inputs and assumptions used. To further assess the reasonableness of the forward prices estimated by management, we performed trend analyses against similar market or exchange traded commodities and compared certain ratios of co-product prices against historical ratios.</p> <p>In addition to testing the forward price estimates, we audited the calculations of the fair value and associated unrealised gains and losses on the commodity based positions. We found that management's forward price estimates and the calculations of fair value of positions were reasonable and supported by market observable data, where appropriate. Where management had calculated values by reference to non-market observable data, we found that these were within acceptable ranges.</p> <p>For derivative financial instruments, which were used to manage the commodity price risk, we independently confirmed these positions with the counterparty and recalculated the fair value of the positions held. We found that the fair values of these derivative financial instruments were supported by the confirmations and recalculations.</p> |

Independent Auditors' Report to the Members of Tate & Lyle PLC continued

Area of focus

Complex tax accounting and uncertain tax positions

Refer to Notes 2 and 12.

The nature of the Group's multinational and cross-border operations exposes it to complicated tax regulations. This requires management to exercise judgement in determining the appropriate amount of tax to provide in respect of tax obligations in a number of jurisdictions. In addition, certain financing arrangements that the Group has entered into, while not uncommon or unduly aggressive, have been previously subject to enquiry by tax authorities. The result of enquiries by tax authorities could materially affect the quantum of tax provisions recognised in the Group financial statements. At 31 March 2017 Tate & Lyle had centrally held provisions for uncertain tax positions of £34 million (2016 – £31 million).

Additionally, the Group has executed transactions during FY17 for which the accounting and current and deferred tax considerations required substantial analysis. These transactions have given rise to exceptional deferred tax assets of £65 million.

Retirement benefit obligations and assets

Refer to Notes 2 and 30.

The Group has significant retirement benefit obligations in the UK and the US, including unfunded retirement medical plans in the US. At 31 March 2017 the present value of these obligations was £1,769 million (2016 – £1,634 million) offset by plan assets at fair value of £1,630 million (2016 – £1,426 million) in respect of funded schemes.

These retirement benefit obligations were determined based on a number of actuarial assumptions and calculations, which were subject to significant judgement and estimate. Changes in these assumptions can have a material impact on the quantum of obligations recorded in the consolidated statement of financial position.

During FY17, a triennial valuation was completed on the main UK scheme and a gain was recorded in the US following a lump-sum settlement in the year.

Goodwill and intangible asset impairment

Refer to Notes 2 and 19.

At 31 March 2017 the Group has a net balance of £212 million of goodwill (2016 – £204 million). In addition, the Group has £189 million of intangible assets (2016 – £186 million) comprising patents and other intellectual property, capitalised development expenses and other acquired intangible assets.

The carrying values of goodwill and intangible assets are contingent on future cash flows and there is a risk that the assets will be impaired if these cash flows do not meet the Group's expectations. The impairment reviews performed by the Group contained a number of judgements and estimates including revenue growth, the success of market and capacity expansion, profit margin, cash conversion, terminal values and discount rates. Changes in these assumptions could lead to an impairment to the carrying value of intangible assets and goodwill.

During the year, the Group recognised a £16 million impairment charge against the carrying value of goodwill relating to the Gemacom business in Brazil, £2 million against the goodwill relating to Howbetter in China and £5 million in respect of other intangibles.

How our audit addressed the area of focus

In conjunction with our UK, US and international tax and transfer pricing specialists, we evaluated and challenged management's judgements in respect of estimates of tax exposures and contingencies, in order to assess the adequacy of the Group's tax provisions. This included obtaining a detailed understanding of the Group's key technical tax matters and risks related to business and legislative developments.

We recalculated management's valuation of its tax provisions and determined whether the calculations were in line with the Group's methodology and principles, and whether they had been applied on a basis consistent with previous years. We also examined management's ongoing analysis of its financing arrangements and considered recent correspondence with the tax authorities.

From the evidence obtained, we concluded that the level of provisioning was acceptable.

Additionally, we assessed the appropriateness of judgements and estimates, as they pertain to taxation in transactions executed during FY17 and concluded they were appropriate.

The valuation of the exceptional deferred tax assets of £65 million was judgemental and we assessed the key assumptions made by the Group and concluded they were appropriate. In respect of the deferred tax asset of £34 million relating to previously unrecognised tax losses, we also confirmed its recoverability as reasonable against expected future taxable profit.

We understood and evaluated the assumptions used by the Group's actuaries and management in calculating the retirement benefit obligations for the defined benefit pension plans in the UK and the US and the unfunded retirement medical scheme in the US.

In conjunction with our pensions specialists we challenged the actuarial assumptions by comparing these against benchmark ranges based on the market conditions and expectations at 31 March 2017. Based on our review of the assumptions, in each case we found that the actuarial assumptions used were reasonable and sat within our acceptable range and, where appropriate, were applied on a basis consistent with previous years.

In addition, we independently confirmed the pension assets held by the UK and US schemes with the third-party custodians and fund managers. We also performed an independent assessment of the asset valuations and concluded that they were appropriate.

We obtained the Group's annual impairment analyses and tested the reasonableness of key assumptions, including profit and cash flow growth or decline, terminal values and the selection of discount rates. We assessed the appropriateness of the discount rate and challenged management's other key assumptions, including comparing relevant assumptions with industry and economic forecasts.

We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment. With the exception of Biovelop, there is no reasonably possible change in one or more of the key assumptions used in the impairment tests for goodwill and other intangible assets that would give rise to an impairment loss during the coming year.

As a result of our work, we determined that the impairment charges recognised during the year were appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured across two divisions: Speciality Food Ingredients and Bulk Ingredients, with a central support function. The Group financial statements are a consolidation of the Group's reporting units, spread across the two divisions, which comprise the Group's operating businesses and centralised functions of more than 250 individual components.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors from PwC UK or other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components, in order to be able to conclude whether sufficient appropriate audit evidence had been obtained, as a basis for our opinion on the Group financial statements as a whole. This involvement included oversight visits, meetings with management and review of working papers at the Group's two significant components in the US and at the Global Shared Services centre in Poland. We also attended the clearance meetings for these components. In addition, we met with management in Slovakia and Wales, and the non-PwC firm audit team for the Group's joint venture in Mexico, and instructed PwC Mexico to review the working papers in respect of the audit work they performed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|---|
| Overall Group materiality | £12 million (2016 – £10 million). |
| How we determined it | Approximately 5% of profit before tax from continuing operations (£233 million) adding back the Group's share of tax of joint ventures and associates (£12 million) and exceptional items (£18 million), as defined in Note 3 to the Group financial statements. |
| Rationale for benchmark applied | The Group's principal measure of earnings is adjusted profit before tax from continuing operations, which excludes exceptional items, amortisation of acquired intangible assets and net retirement benefit interest from profit before tax. The Group adjusts for exceptional items as it believes that doing so is necessary to provide an understanding of financial performance. We have not used the Group's principal measure, as defined above, as our benchmark since the amortisation of acquired intangible assets and net retirement benefit interest are recurring items. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 (2016: £500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 99, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Independent Auditors' Report to the Members of Tate & Lyle PLC continued

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if in our opinion:

| | |
|---|----------------------------------|
| <ul style="list-style-type: none"> • information in the Annual Report is: <ul style="list-style-type: none"> • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading. | We have no exceptions to report. |
| <ul style="list-style-type: none"> • the statement given by the Directors on page 99, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. | We have no exceptions to report. |
| <ul style="list-style-type: none"> • the section of the Annual Report on page 66, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|---|--|
| <ul style="list-style-type: none"> • the Directors' confirmation on page 39 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> • the Directors' explanation on page 39 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Statement of Responsibilities set out on page 99, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matters

We have reported separately on the Parent Company financial statements of Tate & Lyle PLC for the year ended 31 March 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

John Waters (Senior Statutory Auditor)

for and on behalf of [PricewaterhouseCoopers LLP](#)
Chartered Accountants and Statutory Auditors

London

24 May 2017

Notes:

(a) The maintenance and integrity of the Tate & Lyle PLC website (<http://www.tateandlyle.com>) is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

| | | Year ended 31 March | |
|---|--------|---------------------|------------|
| | Notes | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Sales | 5 | 2 753 | 2 355 |
| Operating profit | 6 | 233 | 127 |
| Finance income | 11 | 2 | 1 |
| Finance expense | 11 | (34) | (30) |
| Share of profit after tax of joint ventures and associates | 21 | 32 | 28 |
| Profit before tax | | 233 | 126 |
| Income tax credit/(expense) | 12 | 22 | (5) |
| Profit for the year – continuing operations | | 255 | 121 |
| Profit for the year – discontinued operations | 8 | 1 | 42 |
| Profit for the year – total operations | | 256 | 163 |
| Profit for the year attributable to: | | | |
| – owners of the Company | | 256 | 163 |
| – non-controlling interests | | – | – |
| Profit for the year | | 256 | 163 |
| Earnings per share | | | |
| | | Pence | Pence |
| Continuing operations: | 13 | | |
| – basic | | 55.0p | 26.1p |
| – diluted | | 54.2p | 25.9p |
| Total operations: | 13 | | |
| – basic | | 55.2p | 35.1p |
| – diluted | | 54.4p | 34.8p |
| Analysis of adjusted profit for the year – continuing operations | | | |
| | | £m | £m |
| Profit before tax – continuing operations | | 233 | 126 |
| Adjusted for: | | | |
| Net charge for exceptional items | 7 | 19 | 50 |
| Amortisation of acquired intangible assets | 19 | 12 | 11 |
| Net retirement benefit interest | 11, 30 | 7 | 6 |
| Adjusted profit before tax – continuing operations | 4 | 271 | 193 |
| Adjusted income tax expense – continuing operations | 4, 12 | (49) | (32) |
| Adjusted profit for the year – continuing operations | 4 | 222 | 161 |

Consolidated Statement of Comprehensive Income

| | Notes | Year ended 31 March | |
|--|--------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Profit for the year | | 256 | 163 |
| Other comprehensive income/(expense) | | | |
| Items that have been/may be reclassified to profit or loss: | | | |
| Fair value gain on cash flow hedges | 23 | 1 | - |
| Fair value loss on cash flow hedges transferred to the income statement | 23 | 4 | 2 |
| Reclassified and reported in the income statement in respect of available-for-sale financial assets | 23 | (1) | - |
| Gain on currency translation of foreign operations | 23 | 185 | 60 |
| Fair value loss on net investment hedges | 23 | (69) | (18) |
| Share of other comprehensive income/(expense) of joint ventures and associates | 21, 23 | 7 | (12) |
| Amounts transferred to the income statement upon disposal of subsidiary | 23, 34 | (1) | - |
| Amounts transferred to the income statement upon disposal of joint ventures | 23, 34 | - | 34 |
| Tax effect of the above items | 12, 23 | - | - |
| | | 126 | 66 |
| Items that will not be reclassified to profit or loss: | | | |
| Re-measurement of retirement benefit plans: | | | |
| - actual return higher/(lower) than interest on plan assets | 30 | 179 | (52) |
| - net actuarial (loss)/gain on net retirement benefit obligations | 30 | (106) | 45 |
| Tax effect of the above items | 12 | (30) | 2 |
| | | 43 | (5) |
| Total other comprehensive income | | 169 | 61 |
| Total comprehensive income | | 425 | 224 |
| Analysed by: | | | |
| - continuing operations | | 425 | 156 |
| - discontinued operations | | - | 68 |
| Total comprehensive income | | 425 | 224 |
| Attributable to: | | | |
| - owners of the Company | | 425 | 224 |
| - non-controlling interests | | - | - |
| Total comprehensive income | | 425 | 224 |

Consolidated Statement of Financial Position

| | | At 31 March | |
|--|-------|--------------|------------|
| | Notes | 2017 £m | 2016 £m |
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill and other intangible assets | 19 | 401 | 390 |
| Property, plant and equipment | 20 | 1 061 | 926 |
| Investments in joint ventures | 21 | 92 | 82 |
| Investments in associates | 21 | 4 | 3 |
| Available-for-sale financial assets | 18 | 30 | 19 |
| Derivative financial instruments | 28 | 15 | 21 |
| Deferred tax assets | 12 | 22 | 3 |
| Trade and other receivables | 17 | 1 | 1 |
| Retirement benefit surplus | 30 | 120 | 45 |
| | | 1 746 | 1 490 |
| Current assets | | | |
| Inventories | 15 | 441 | 389 |
| Trade and other receivables | 17 | 291 | 301 |
| Current tax assets | 12 | 1 | 3 |
| Available-for-sale financial assets | 18 | - | 4 |
| Derivative financial instruments | 28 | 31 | 43 |
| Cash and cash equivalents | 16 | 261 | 317 |
| Assets classified as held for sale | 8 | - | 7 |
| | | 1 025 | 1 064 |
| TOTAL ASSETS | | 2 771 | 2 554 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 22 | 117 | 117 |
| Share premium | 22 | 406 | 406 |
| Capital redemption reserve | | 8 | 8 |
| Other reserves | 23 | 253 | 127 |
| Retained earnings | | 548 | 370 |
| Equity attributable to owners of the Company | | 1 332 | 1 028 |
| Non-controlling interests | | - | 1 |
| TOTAL EQUITY | | 1 332 | 1 029 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Trade and other payables | 24 | 10 | 13 |
| Borrowings | 25 | 604 | 556 |
| Derivative financial instruments | 28 | 37 | 19 |
| Deferred tax liabilities | 12 | 25 | 21 |
| Retirement benefit deficit | 30 | 259 | 253 |
| Provisions for other liabilities and charges | 32 | 17 | 13 |
| | | 952 | 875 |
| Current liabilities | | | |
| Trade and other payables | 24 | 315 | 337 |
| Current tax liabilities | 12 | 57 | 66 |
| Borrowings and bank overdrafts | 25 | 88 | 200 |
| Derivative financial instruments | 28 | 17 | 22 |
| Provisions for other liabilities and charges | 32 | 10 | 23 |
| Liabilities classified as held for sale | 8 | - | 2 |
| | | 487 | 650 |
| TOTAL LIABILITIES | | 1 439 | 1 525 |
| TOTAL EQUITY AND LIABILITIES | | 2 771 | 2 554 |

The notes on pages 111 to 177 form part of these financial statements. The consolidated financial statements on pages 106 to 177 were approved by the Board of Directors on 24 May 2017 and signed on its behalf by:

Javed Ahmed, Nick Hampton
Directors

Consolidated Statement of Cash Flows

| | Notes | Year ended 31 March | |
|--|-------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Cash flows from operating activities | | | |
| Profit before tax from continuing operations | | 233 | 126 |
| Adjustments for: | | | |
| – depreciation of property, plant and equipment | 20 | 109 | 80 |
| – amortisation of intangible assets | 19 | 40 | 35 |
| – share-based payments | 31 | 21 | 9 |
| – exceptional items | 7 | (5) | 17 |
| – finance income | 11 | (2) | (1) |
| – finance expense | 11 | 34 | 30 |
| – share of profit after tax of joint ventures and associates | 21 | (32) | (28) |
| Changes in working capital and other non-cash movements | 26 | 4 | 24 |
| Net retirement benefit obligations | | (36) | (38) |
| Cash generated from continuing operations | | 366 | 254 |
| Interest paid | | (30) | (21) |
| Net income tax paid | | (35) | (16) |
| Cash used in discontinued operations | 8 | (3) | (29) |
| Net cash generated from operating activities | | 298 | 188 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (127) | (179) |
| Purchase of intangible assets | | (26) | (19) |
| Disposal of property, plant and equipment | | 2 | – |
| Cash adjustment in respect of previous acquisitions | | 3 | – |
| Disposal of businesses, net of cash disposed | 34 | 3 | – |
| Acquisition of businesses, net of cash acquired | 34 | – | (54) |
| Disposal of joint ventures | 34 | – | 240 |
| Purchase of available-for-sale financial assets | 18 | (4) | (4) |
| Disposal of available-for-sale financial assets | | 4 | 18 |
| Interest received | | 2 | 1 |
| Dividends received from joint ventures and associates | 21 | 29 | 83 |
| Net cash (used in)/from investing activities | | (114) | 86 |
| Cash flows from financing activities | | | |
| Purchase of own shares to trust or treasury | | (18) | (7) |
| Cash inflow from additional borrowings | | 66 | 261 |
| Cash outflow from repayment of borrowings | | (189) | (286) |
| Repayment of capital element of finance leases | | (1) | (4) |
| Dividends paid to the owners of the Company | 14 | (130) | (130) |
| Net cash used in financing activities | | (272) | (166) |
| Net (decrease)/increase in cash and cash equivalents | 27 | (88) | 108 |
| Cash and cash equivalents | | | |
| Balance at beginning of year | | 317 | 195 |
| Net (decrease)/increase in cash and cash equivalents | 27 | (88) | 108 |
| Currency translation differences | 27 | 32 | 14 |
| Balance at end of year | 16 | 261 | 317 |

A reconciliation of the movement in cash and cash equivalents to the movement in net debt is presented in Note 27.

Consolidated Statement of Changes in Equity

| | Share capital and share premium £m | Capital redemption reserve £m | Other reserves £m | Retained earnings £m | Attributable to the owners of the Company £m | Non-controlling interests (NCI) £m | Total equity £m |
|---|---------------------------------------|----------------------------------|----------------------|-------------------------|---|---------------------------------------|--------------------|
| At 1 April 2015 | 523 | 8 | 61 | 343 | 935 | 1 | 936 |
| Year ended 31 March 2016: | | | | | | | |
| Profit for the year – total operations | - | - | - | 163 | 163 | - | 163 |
| Other comprehensive income/(expense) | - | - | 66 | (5) | 61 | - | 61 |
| Total comprehensive income | - | - | 66 | 158 | 224 | - | 224 |
| Share-based payments, net of tax | - | - | - | 6 | 6 | - | 6 |
| Purchase of own shares to trust or treasury | - | - | - | (7) | (7) | - | (7) |
| Dividends paid (Note 14) | - | - | - | (130) | (130) | - | (130) |
| At 31 March 2016 | 523 | 8 | 127 | 370 | 1 028 | 1 | 1 029 |
| Year ended 31 March 2017: | | | | | | | |
| Profit for the year – total operations | - | - | - | 256 | 256 | - | 256 |
| Other comprehensive income | - | - | 126 | 43 | 169 | - | 169 |
| Total comprehensive income | - | - | 126 | 299 | 425 | - | 425 |
| Share-based payments, net of tax | - | - | - | 24 | 24 | - | 24 |
| Purchase of own shares to trust or treasury | - | - | - | (18) | (18) | - | (18) |
| Derecognition of put option on NCI | - | - | - | 3 | 3 | - | 3 |
| Movement on NCI | - | - | - | - | - | (1) | (1) |
| Dividends paid (Note 14) | - | - | - | (130) | (130) | - | (130) |
| At 31 March 2017 | 523 | 8 | 253 | 548 | 1 332 | - | 1 332 |

| | Notes | Year ended 31 March | |
|---|-------|---------------------|---------------|
| | | 2017 Pence | 2016 Pence |
| Dividends on ordinary shares (pence per share) | | | |
| Proposed in respect of the financial year: | 14 | | |
| - interim | | 8.2 | 8.2 |
| - final | | 19.8 | 19.8 |
| | | 28.0 | 28.0 |
| Paid in the financial year: | 14 | | |
| - interim – in respect of the financial year | | 8.2 | 8.2 |
| - final – in respect of the previous financial year | | 19.8 | 19.8 |
| | | 28.0 | 28.0 |

Notes to the Consolidated Financial Statements

1. Basis of preparation

Description of business

Tate & Lyle PLC (the Company) is a public limited company incorporated in the United Kingdom and registered in England. The Company's ordinary shares are listed on the London Stock Exchange.

The Company and its subsidiaries (together 'the Group') provide ingredients and solutions to the food, beverage and other industries. The Group operates from numerous production facilities around the world.

The Group's continuing operations comprise two operating segments: Speciality Food Ingredients (SFI) and Bulk Ingredients (BI). Segment information is presented in Note 5.

Accounting period

The Group's annual financial statements are drawn up to 31 March. These financial statements cover the year ended 31 March 2017 with comparative financials for the year ended 31 March 2016.

Basis of accounting

The consolidated financial statements on pages 106 to 177 have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS.

The directors are satisfied that the Group has adequate resources to continue to operate for a period not less than 12 months from the date of approval of the financial statements and that there are no material uncertainties around their assessment. Accordingly, the directors continue to adopt the going concern basis of accounting.

The Group's principal accounting policies are set out in Note 2 and Note 3 and have been consistently applied throughout the year.

Functional and presentation currency

The consolidated financial statements are presented in pounds sterling, which is also the Company's functional currency. All amounts are rounded to the nearest million, unless otherwise indicated.

Accounting standards adopted during the year

In the current year, the Group has adopted, with effect from 1 April 2016, new or revised accounting standards as set out below:

- IFRS 11 Joint arrangements (Amendments)
- IAS 16 Property, plant and equipment (Amendments)
- IAS 38 Intangible assets (Amendments)
- IAS 27 Separate financial statements (Amendments)
- IAS 1 Presentation of financial statements (Amendments)
- Annual Improvements to IFRS – 2012-14 cycles

The adoption of these amendments has had no material effect on the Group's financial statements.

Use of alternative performance measures

The Group also presents alternative performance measures, including adjusted operating profit, adjusted profit before tax, adjusted earnings per share, adjusted operating cash flow and adjusted free cash flow, which are used for internal performance analysis and incentive compensation arrangements for employees.

These measures are presented because they provide investors with valuable additional information about the performance of the business. For the years presented, adjusted performance measures exclude, where relevant:

- Exceptional items (excluded as they relate to events which are unlikely to recur, are outside the normal course of business and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance);
- Amortisation of acquired intangible assets (costs associated with amounts recognised through acquisition accounting that impact earnings compared to organic investments);
- Net retirement benefit interest (accounting charges or credits which are not linked to the underlying performance of the business. The amounts excluded reflect the net interest cost of post-retirement benefit plans substantially closed to future accrual); and
- Tax on the above items and tax items that themselves meet these definitions.

Alternative performance measures reported by the Group are not defined terms under IFRS and may therefore not be comparable with similarly-titled measures reported by other companies.

Reconciliations of the alternative performance measures to the most directly comparable IFRS measures are presented in Note 4.

Changes in constant currency

Where changes in constant currency are presented, they are calculated by retranslating current year results at prior year exchange rates. This represents a change to the methodology applied in previous years, which involved retranslating prior year results at current year exchange rates. This change, which has not had a material impact, has been made to align with how the majority of external stakeholders view constant currency performance comparisons. Reconciliations of the movement in constant currency have been included in the additional information within this document.

2. Principal accounting policies requiring significant judgements and estimates

In preparing these consolidated financial statements, management has made judgements and used estimates and assumptions in establishing the reported amounts of assets, liabilities, income and expense under the Group's accounting policies. Judgements are based on the best evidence available to management. Estimates are based on factors including historical experience and expectations of future events, corroborated with external information where possible. Judgements and estimates and their underlying assumptions are reviewed and updated on an ongoing basis, with any revisions being recognised prospectively. However, given the inherent uncertainty of such estimates, the actual results might differ significantly from the anticipated ones.

Notes to the Consolidated Financial Statements continued

2. Principal accounting policies requiring significant judgements and estimates continued

The accounting policies and information about the accounting estimates and judgements made in applying these accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below.

Fair value measurement

(this accounting policy applies principally to Available-for-sale financial assets; Derivatives and hedge accounting; Financial instruments – fair value and risk management; and Retirement benefit obligations – see Notes 18, 28, 29, and 30)

A number of the Group's accounting policies and disclosures require the measurement of fair value for either financial or non-financial assets and liabilities. Examples of the former include loans, interest rate swaps and commodity contracts; examples of the latter include intangibles and property, plant and equipment acquired in a business combination.

Fair value is the amount of money, or other consideration, expected to be exchanged for an asset or a liability in an arm's length transaction. When measuring fair value, the Group takes into account the characteristics of the asset or liability and uses observable market data, such as prices quoted on a recognised exchange, to the greatest extent possible. Where such data is not available, the Group has an established framework in place that deals with setting, monitoring and evaluating non-observable inputs, including the respective classification of the fair value measurements. Such unobservable inputs are based on management's own assessment of market and other conditions currently prevailing or expected to prevail.

Fair value measurements are categorised into three different levels based on the degree to which the inputs used to arrive at the fair value of the assets and liabilities are observable and the significance of the inputs to the fair value measurement in its entirety, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date. The prices of equity shares or bonds quoted on the London Stock Exchange are examples of Level 1 inputs
- Level 2 inputs are those, other than quoted prices included in Level 1, that are observable either directly or indirectly. Most interest rate swaps fall in this category as their prices are referenced to a published rate curve, but it is not price specific to the swap itself
- Level 3 inputs are unobservable inputs. The Group generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the observable inputs of the assets or liabilities. This would include expected future cash flows from budgets and forecasts the entity has made. Certain elements of the Group's commodity contract portfolio also fall into this category, as their values include significant management-derived assumptions.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on lowest level of input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Judgements and estimates

Corn and co-product inventories held in the US business are measured at net realisable value since they are considered to be agricultural produce after harvest. The Group uses financial instruments (mainly forward contracts) to manage price risk within its US business, by hedging the contracted amount of corn when either business division (Bulk Ingredients or Speciality Food Ingredients) enters into a finished good sales contract.

The elements of the Group's US net corn position are accounted for as follows:

- Contracts for the physical purchase of corn in respect of corresponding committed sales of finished goods are marked to market in accordance with IAS 39 with any gains or losses recognised in the income statement
- Contracts for the sale of corn and corn based products are marked to market in accordance with IAS 39 with any gains or losses recognised in the income statement
- Corn inventories are measured at net realisable value in accordance with IAS 2.3, with any gains or losses recognised in the income statement
- Financial instruments (futures and options) are carried at fair value with any gains or losses recognised immediately in the income statement.

Although the Group manages corn price risk by entering into offsetting 'back-to-back' corn positions, there is still underlying price risk on the basis cost that must be paid to get delivery of the corn to its plants. This basis is the difference in price between that at which a farmer will sell and the price on the Chicago Mercantile Exchange (CME), and is typically driven by local supply, demand and logistics factors, requiring estimation for valuation purposes.

The production of finished goods from corn also results in the production of three co-products (corn gluten feed, corn gluten meal and corn oil). The price risk associated with these co-products cannot readily be hedged as there are no actively traded markets for these commodities. Whilst the Group actively manages its overall co-product positions in the US, the Group can hold either a net long or short position for each co-product based on the volume of co-products made, bought (or short sold) and forward sold at any point in time. These positions are measured at fair value at each reporting date, with gains and losses recognised in the income statement.

Management exercises significant judgement in deriving these fair values, which involves estimating the basis and the price at which the Group will purchase or sell these co-product positions in the future. These inputs are classified as unobservable, and are derived by in-house experts, with reference to sources such as: the expected supply and demand for corn and substitute products, expectations of weather conditions, and historical published co-product pricing levels over a period of up to three months from the balance sheet date.

Whilst it is possible to model the sensitivity of profit to changes in any one of the key assumptions, it is important to note that, due to the complexity and interdependence of related assumptions, the overall (net) impact in reality is likely to be different.

The accounting for corn and co-product positions can create significant volatility in the Group's income statement, although the use of such contracts is critical to the business as it effectively limits the Group's exposure to fluctuating market prices.

Whilst it is not practical to quantify all elements included in fair value measurements, the Group discloses sensitivity analysis on the key areas of judgement (price of co-products and basis) and the carrying amounts impacted by estimation uncertainty in Note 29. Full details of the valuation technique are also included in Note 29.

Taxation

(this accounting policy principally applies to Income taxes – see Note 12)

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes.

Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods. Current tax is calculated using tax rates that have been written into law ('enacted') or irrevocably announced/committed by the respective government ('substantively enacted') at the period-end date.

Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is generally true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Group invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit has been taken). This can happen where the Group has trading losses, which cannot be offset in the current period but can be carried forward. Deferred tax assets are recognised only where the Group considers it probable that it will be able to obtain the benefit of them in the future (for example, use such losses by offsetting them against future taxable profits).

Taxable temporary differences can also arise on investments in foreign subsidiaries and associates, and interests in joint ventures. Where the Group is able to control the reversal of these differences and it is probable that these will not reverse in the foreseeable future, then no deferred tax is provided.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled.

Similarly to current taxes, deferred tax assets and liabilities are offset only when there is a legal right to settle them net and the entity intends to do so. This normally requires both assets and liabilities to have arisen in the same country.

Income tax expense reported in the financial statements comprises current tax as well as the effects of changes in deferred tax assets and liabilities. Tax expense/credits are generally recognised in the same place as the items to which they relate. For example, the tax associated with a gain on disposal is recognised in the income statement, in line with the gain on disposal. Equally, the tax associated with pension obligation actuarial gains and losses is recognised in other comprehensive income, in line with the actuarial gains and losses.

Judgements and estimates

The Group operates in a large number of countries around the world. Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws, and the amount and timing of future taxable income. In some jurisdictions, agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expense already recorded.

At the period-end date, tax liabilities and assets are based on management's best judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled. Management considers tax exposures individually, and arrives at judgements with support from experienced tax professionals and external advisors. There is, however, a risk that the Group's judgements are challenged by the tax authorities, resulting in a different tax payable or recoverable from the amounts that have been provided.

As described in Note 12, the Group has internal funding structures that favourably affect the amount of tax payable. In management's view, these structures are compliant with the relevant tax regulations.

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax that should be recognised, dependent on the anticipated timing and quantum of future taxable profit.

The main uncertainties impacting taxation arise from potential changes to legislation. Firstly, the OECD's Base Erosion and Profit Shifting (BEPS) project has been one of the most significant multilateral initiatives in recent years for modifying international tax rules. As these recommendations continue to evolve and are adopted into local tax legislation over the coming years, this may continue to impact the Group's effective tax rate. Secondly, the UK government has announced changes to UK tax legislation in respect of restrictions to interest relief and the use of carry forward losses. Whilst this legislation has yet to be enacted, these changes may impact our ability to deduct interest and fully utilise brought forward losses in the UK in the future. Lastly, potential reform of the US tax system could impact the Group's effective tax rate, depending on the nature of any such reforms.

Notes to the Consolidated Financial Statements continued

2. Principal accounting policies requiring significant judgements and estimates continued

Taxation continued

Judgements and estimates continued

The Group's operating model involves cross-border supply of significant volumes of goods into numerous end markets, and the provision of services from one jurisdiction to another. There is a risk that different tax authorities could seek to assess higher profits (or lower costs) to activities being undertaken in their jurisdiction, potentially leading to higher total tax payable by the Group.

Retirement benefit plans

(this accounting policy principally applies to Retirement benefit obligations – see Note 30)

The Group operates both defined contribution and defined benefit pension plans principally in the UK and the US and unfunded retirement medical plans in the US.

a) Defined benefit plans

For accounting purposes a valuation of each of the defined benefit plans is carried out annually at 31 March using independent qualified actuaries. Benefit obligations are measured using the projected unit credit method and are discounted using the market yields on high-quality corporate bonds denominated in the same currency as, and of similar duration to, the benefit obligations. Plan assets are measured at their fair value at the period-end date. Where a plan holds a qualifying insurance policy, the fair value of the policy is deemed to be equivalent to the present value of the related benefit obligations.

A deficit or surplus is recognised on each plan, representing the difference between the present value of the benefit obligation and the fair value of the plan assets. Where a plan is in surplus, the surplus recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions.

The costs of the defined benefit plan that are recognised in the income statement include the current service cost, any past service cost and the interest on the net deficit or surplus. Gains or losses on curtailments or settlements of the plans are recognised in the income statement in the period in which the curtailment or settlement occurs. Plan administration costs incurred by the Group are also recognised in the income statement.

Current service cost represents the increase in the present value of the benefit obligation due to benefits accrued during the period, less employee contributions. Past service cost represents the change in the present value of the benefit obligation that arises from benefit changes that are applied retrospectively to benefits accrued in previous years. Any past service cost is recognised in full in the period in which the benefit changes are made.

Interest on the net deficit or surplus is calculated by applying the discount rate that is used in measuring the present value of the benefit obligation to the deficit or surplus.

Re-measurements of the deficit or surplus are recognised in other comprehensive income. Re-measurements comprise differences between the actual return on plan assets (less asset management expenses) and the interest on the plan assets and actuarial gains and losses. Actuarial gains and losses represent the effect of changes in the actuarial assumptions made in

measuring the present value of the benefit obligation and experience differences between those assumptions and actual outcomes. Actuarial gains and losses are recognised in full in the period in which they occur.

b) Defined contribution plans

Contributions made by the Group to defined contribution pension schemes are recognised in the income statement in the period in which they fall due.

Judgements and estimates

At 31 March 2017, the present value of the benefit obligations of the plans was £1,769 million (2016 – £1,634 million), including £76 million (2016 – £66 million) in respect of the unfunded medical plans. The present value of the benefit obligations is based on actuarial estimates of the future benefits that will be payable to the members of the plans. As such, the benefit obligations are based on a number of assumptions, changes to which could have a material impact on the reported amounts.

The present value of the benefit obligations is most sensitive to the discount rate applied to the benefit obligations, assumed life expectancies, and expected future price inflation rates. Whilst the Group establishes the assumptions on a consistent basis reflecting advice from qualified actuaries, based on published indices and other actuarial data, management must apply judgement in selecting the most appropriate value from within an acceptable range.

Changes in the assumptions used in determining the present value of the benefit obligations will have an impact on the Group's income statement through their effect on the service cost and the interest on the net deficit or surplus in the plans. However, most of the impact of such changes, together with fluctuations in the actual return on the plan assets, will be reflected in other comprehensive income.

Impairment of non-financial assets

(this accounting policy principally applies to Goodwill and other intangibles; and Property, plant and equipment – see Notes 19 and 20)

Property, plant and equipment and intangible assets are reviewed for impairment whenever any events or changes in circumstances indicate that their carrying amounts may not be recoverable.

If such an indication exists, then the recoverable amount of the asset is estimated. In addition, goodwill is tested for impairment annually.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount. An asset's recoverable amount represents the higher of the benefit which the entity expects to derive from the asset over its life, discounted to present value (value in use) and the net price for which the entity can sell the asset in the open market (fair value less costs of disposal). The discount rate used for the value in use calculation is a pre-tax rate that reflects the risks specific to the asset or groups of assets tested.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets which has cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This could also be a single asset. Goodwill does not generate cash inflows independently and is, therefore, tested for impairment at the level of the Cash Generating Unit ('CGU') or group of CGUs to which it is allocated. Note 19 shows the allocation of material elements of goodwill to CGUs for impairment testing purposes.

When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which it is allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then pro-rata to the other non-financial assets belonging to the CGU or group of CGUs on the basis of their respective carrying amounts.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Such reversals are limited to the carrying amount of the asset had no impairment been recognised in previous periods. Impairment losses recognised in respect of goodwill cannot be reversed.

Asset impairments have the potential to significantly impact operating profit. In order to determine whether impairments are required, the Group estimates the recoverable amount of the asset. This calculation is usually based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a present value ('value in use'). The 'fair value less costs of disposal' of an asset may be used where this results in an amount in excess of 'value in use'.

Judgements and estimates

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the assets in their current condition. Future cash flows therefore exclude benefits from major expansion projects requiring future capital expenditure where that expenditure has not been approved and committed on the dates the assets are tested (unless a fair value less costs of disposal model is used).

Future cash flows are discounted using a discount rate appropriate for the CGU being tested. The discount rate is impacted by estimates of interest rates, equity returns and market and country-related risks. The Group's weighted average cost of capital, which is used as the initial reference point for the discount rate before any asset specific adjustments are made, is reviewed on a regular basis. If the cash flow or discount rate assumptions were to change because of market conditions, the level of impairment could be different and could result in the asset impairment being increased or, excepting goodwill, reversed, in part or in full, at a future date.

Provisions and contingent liabilities

[see Note 32]

A provision is a liability of uncertain timing or amount that is recognised when: 1) the Group has a present obligation (legal or constructive) as a result of a past event; 2) it is more likely than not that a payment will be required to settle the obligation; and 3) the amount can be reliably estimated.

Where a payment is not probable, or the amount of the obligation cannot be measured with sufficient certainty, a contingent liability is disclosed.

Contingent liabilities are also disclosed if a possible obligation arises from past events, but its existence will be confirmed only by the occurrence or non-occurrence of uncertain future events.

Provisions are determined by discounting the expected future payments using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of any discount is recognised in the income statement within finance expense. The impact of any discounting is not material to the Group.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to those affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions. Future operating losses are not provided for.

Provisions are recognised for onerous contracts to the extent that the benefits expected to be derived from a contract are lower than the unavoidable cost to the Group of meeting its obligations under the contract. Before establishing the amount of the provision, any impairment losses on assets associated with the contract are recognised.

Judgements and estimates

The Group is subject to claims and litigation generally arising in the ordinary course of its business, some of which are for substantial amounts. All such actions are strenuously defended but provision is made for liabilities that are considered likely to arise on the basis of current information and legal advice and after taking into account the Group's insurance arrangements. Whilst there is always uncertainty as to the outcome of any claim or litigation, it is not expected that claims and litigation existing at 31 March 2017 will have a material adverse effect on the Group's financial position.

At 31 March 2017, provisions included amounts for insurance claims payable by the Group's reinsurance company, legal matters, employee termination and other restructuring costs. These have been based on management's judgement as to whether any obligation, legal or otherwise, existed at the balance sheet date and if so, management's estimate of the likelihood, magnitude and timing of future payments related to the obligation.

3. Other principal accounting policies

The consolidated financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of available-for-sale financial assets, derivative financial instruments, certain inventories, assets classified as held for sale, assets held by defined benefit pension plans and intangible and tangible assets acquired in a business combination.

Basis of consolidation

a) Business combinations

A business combination is a transaction or other event in which the Group obtains control over a business. Business combinations are accounted for using the acquisition method, the key elements of which are set out below.

Identifiable assets and liabilities of the acquired business are generally measured at their fair value at the acquisition date. Retirement benefit obligations and deferred tax assets and liabilities are measured in accordance with the Group's accounting policies.

Consideration transferred represents the sum of the fair values at the acquisition date of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the acquired business. Acquisition-related costs are charged to the income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements continued

3. Other principal accounting policies continued

Basis of consolidation continued

a) Business combinations continued

Any non-controlling interest in the acquired business is measured either at fair value or at the non-controlling interest's proportionate share of the identifiable assets and liabilities of the business.

Put options written by the Group over non-controlling interests are initially recognised as a liability measured at the present value of the exercise price with a corresponding charge directly to equity. Subsequently, the liability is measured at the present value of the expected redemption amount and re-measured in accordance with IAS 39 (at amortised cost), with changes recognised in the income statement.

Goodwill arising in a business combination represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired business and, where a business combination is achieved in stages, the fair value at the acquisition date of the Group's previously held equity interest, over the net total of the identifiable assets and liabilities of the acquired business at the acquisition date. Any re-measurement gain or loss on the previously held equity interest is recognised in the income statement. Any shortfall, or negative goodwill, is recognised immediately as a gain in the income statement.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any gain or loss upon loss of control is recognised in the income statement.

b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which the Group obtains control. They are deconsolidated from the date that control ceases.

A non-controlling interest in a subsidiary represents the share of the net assets of the subsidiary that is attributable to the equity interest in the subsidiary that is not owned by the Group.

The Group's income and expenses, assets and liabilities and cash flows include those of each of its subsidiaries from the date on which the Company obtains control until such time as control is lost. Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated.

c) Equity accounted investments

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in financial and operating policy decisions but not to control or jointly control them.

A joint venture is an entity or a contractual arrangement under which the Group and other parties undertake activities that are subject to joint control, whereby the Group has rights to the net assets of the arrangement rather than to the arrangement's assets or obligations for its liabilities.

Interests in associates and joint ventures (together 'Equity accounted investments') are accounted for under the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the Group's share of the profit

or loss, other comprehensive income and net assets are shown on one line of the relevant primary financial statements, until the date on which significant influence or joint control ceases.

Losses of an equity accounted investment in excess of the Group's interest in the entity are not recognised, except to the extent that the Group has incurred obligations or made payments on behalf of the investment.

Unrealised profits or losses on transactions between the Group and its equity accounted investments are eliminated to the extent of the Group's interest. Losses are, however, recognised in full where they represent a reduction in the net realisable value of a current asset or an impairment loss.

Discontinued operations

(see Note 8)

An operation is classified as discontinued if it is a component of the Group that: (i) has been disposed of, or meets the criteria to be classified as held for sale; and (ii) represents a separate major line of business or geographic area of operations or will be disposed of as part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations.

The results, assets and liabilities and cash flows of discontinued operations are presented separately from those of continuing operations.

Discontinued operations comprised the following activities:

- Eaststarch / Morocco

On 31 October 2015, the Group completed the re-alignment of its Eaststarch joint venture leading to the disposal of the majority of the Group's European Bulk Ingredients business. In a related agreement, the Group also agreed to sell its corn wet mill in Casablanca, Morocco to Archer Daniels Midland Inc. (ADM) and completed this disposal on 1 June 2016.

- Sugars and European Starch pension settlements

The Group announced on 29 September 2015, that the Commercial Court in London had handed down a decision in a case brought by American Sugar Refining, Inc. (ASR) in which it made a number of claims in relation to its acquisition of the Group's European Sugars business in 2010. The European Sugars business formed part of the Group's discontinued Sugars segment, and accordingly the costs associated with those claims were recognised within discontinued operations.

During the year ended 31 March 2016, the Group also made a settlement payment of £2 million to transfer all remaining obligations under a legacy pension scheme related to the Group's discontinued European Wheat Starch business, which was disposed of in the 2008 financial year.

Foreign currency translation

(this accounting policy applies to all transactions and net assets in foreign currencies)

At entity level, transactions in foreign currencies are translated into the entity's functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the period-end date. Currency translation differences arising at entity level are recognised in the income statement.

The consolidated financial statements are presented in pounds sterling. On consolidation, the results of foreign operations are translated into pounds sterling at the average rate of exchange for the period and their assets and liabilities are translated into pounds sterling at the exchange rate ruling at the period-end date. Currency translation differences arising on consolidation are recognised in other comprehensive income and taken to the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

When a foreign operation is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the recycling of cumulative currency translation differences arising on consolidation of the operation subsequent to the adoption of IFRS.

In the cash flow statement, the cash flows of foreign operations are translated into pounds sterling at the average exchange rate for the period.

Revenue recognition

(this accounting policy relates to Notes 5 and 6)

a) Sales of goods and services

Revenue comprises the fair value of consideration receivable in the ordinary course of business, net of value added and sales taxes, rebates and discounts and after eliminating sales within the Group. Sales are recognised at the point or points at which the Group has performed its obligations in connection with the contractual terms of the sales agreement, primarily at the point of delivering to the customer, and in exchange obtains the right to consideration. Discounts mainly comprise volume driven rebates. The Group accrues for discounts against agreed customer terms reflecting latest expectations of amounts likely to fall due under the terms of the customer contract, subsequently adjusted for actual performance.

b) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

c) Dividend income

Dividend income is recognised when the right to receive payment is established.

Exceptional items

(this accounting policy principally relates to Note 7)

Exceptional items comprise items of income and expense, including tax items that are material in amount, relate to events which are unlikely to recur, are outside the normal course of business and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance. Examples of events that give rise to the disclosure of material items of income and expense as exceptional items include, but are not limited to: impairment events; significant business transformation activities; disposals of operations or significant individual assets; litigation claims by or against the Group; and restructuring of components of the Group's operations.

All material amounts relating to exceptional items in the Group's financial statements are classified on a consistent basis across accounting periods.

Goodwill and other intangible assets

(see Note 19)

a) Goodwill

Goodwill arising in a business combination is recognised as an intangible asset and is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination. Goodwill is not amortised but is tested for impairment annually.

Goodwill is carried at cost less any recognised impairment losses.

b) Intangible assets other than goodwill

Intangible assets other than goodwill are stated at cost less accumulated amortisation and any recognised impairment losses.

c) Acquired in business combinations

An intangible resource acquired in a business combination is recognised as an intangible asset at its fair value at the date of acquisition, if it is separable from the acquired business or arises from contractual or legal rights. Acquired intangible assets, for example, patents and customer relationships, are amortised on a straight-line basis over the periods of their expected benefit to the Group, which range from three to 15 years.

d) Other intangibles

Other intangible assets mainly comprise certain capitalised costs relating to product development, marketing, computer software and the global IS/IT system.

Costs incurred on the development, design and testing of new or improved products are capitalised only when the technical and commercial feasibility of the product has been proven and prior to the product going into full production. Research and other development expenditures are charged to the income statement in the period in which they are incurred.

Other intangible assets are amortised on a straight-line basis over the periods of their expected benefit to the Group, which are in the range of three to ten years. Capitalised costs in respect of the core global IS/IT system are being amortised over seven years.

Property, plant and equipment

(see Note 20)

Land and buildings mainly comprise manufacturing sites and administrative facilities. Plant and machinery mainly comprise equipment used in the manufacturing and operating process. Assets under the course of construction comprise property, plant and equipment which is in the process of being completed and not ready for use.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to the income statement during the period in which they are incurred.

Notes to the Consolidated Financial Statements continued

3. Other principal accounting policies continued

Property, plant and equipment continued

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its useful economic life as follows:

| | |
|---------------------|---------------------|
| Freehold land | No depreciation |
| Freehold buildings | 20 to 50 years |
| Leasehold property | Period of the lease |
| Plant and machinery | 3 to 28 years |

Residual values and useful lives are reviewed at each period-end date and adjusted as appropriate, with any resulting changes recognised in the income statement prospectively.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

Leased assets

(see Notes 20, 25, 29 and 33)

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding lease commitments, net of finance charges, are included in liabilities. Leasing payments are analysed between capital and interest components so that the interest element is charged to the income statement over the period of the lease at a constant rate of interest.

Depreciation on assets held under finance leases is charged to the income statement, on a straight-line basis over the shorter of the lease term and its useful life.

All other leases are treated as operating leases. The total amount payable under the operating lease, including lease incentives and guaranteed lease increases, is spread over the lease period on a straight-line basis. Where termination or extension options are available to the Group, management considers whether it is reasonably certain of exercising these options in determining the lease period.

Inventories

(see Note 15)

Corn and co-product inventories held in the US business are measured at net realisable value since they are considered to be agricultural produce after harvest, in accordance with IAS 2.3. Gains and losses are recognised in the income statement.

All other inventories are carried at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition and is calculated using the 'first in/first out' or 'weighted average' methods, appropriate to the materials and production processes involved. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Provisions are made for any slow moving, obsolete or defective inventories.

Financial instruments

(see Notes 16, 17, 18, 24, 25, 28 and 29)

a) Trade receivables

Trade receivables are initially recognised at fair value, which is generally the same as the invoiced amount, and subsequently measured at amortised cost, or their recoverable amount. Trade receivables are predominantly short term and the effects of time-value of money are not considered material.

Where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable, the receivable is considered to be impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered to be objective evidence of impairment. The amount of the impairment, and related provision, is the difference between the receivable's original value and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment is recognised in the income statement immediately, and the provision is netted against the value of the receivable. When a trade receivable is deemed uncollectable, it is written off against the related provision.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement in the period in which they are recovered.

b) Trade payables

Trade payables are predominantly short-term and are initially recognised at fair value, which is generally the invoice amount. The effects of time-value of money are not considered material.

c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and, for the purposes of the cash flow statement only, bank overdrafts where the legal right of offset exists.

d) Available-for-sale financial assets

Equity instruments held by the Group are generally available-for-sale and are carried at fair value, with movements in fair value recognised in other comprehensive income. The Group does not trade equity instruments and does not manage them on a fair value basis. Where fair value cannot be reliably measured, the assets are carried at cost.

Cumulative fair value gains or losses on an asset are recycled through the income statement when the asset is disposed or impaired. A significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. Impairments are recognised in the income statement. Impairment losses recognised in profit or loss for an investment in an available-for-sale equity instrument are not reversed through profit or loss. However, if the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment is reversed through profit or loss.

e) Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred, which is generally the amount of proceeds received. Borrowings are subsequently measured at amortised cost using the effective interest rate method, whereby the net proceeds are gradually increased to the amount that will be ultimately settled using a constant rate of interest. This constant rate of return is used to calculate the amount recognised as interest expense in the income statement.

As explained under 'Hedge accounting' (see below), the carrying amount of a borrowing may be adjusted where it is a hedged liability in a fair value hedge.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

Dividends on preference shares that are classified as a liability are recognised in the income statement as interest expense.

f) Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to commodity price, currency exchange rate and interest rate movements. The Group does not hold or issue derivatives for speculative purposes.

All derivative financial instruments held by the Group are recognised as assets or liabilities measured at their fair values at the period-end date. As explained under 'Hedge accounting' below, unless and to the extent that a derivative is in a designated and effective cash flow or net investment hedging relationship, fair value gains and losses on derivatives are recognised in the income statement.

Derivative financial instruments that are not in a designated hedging relationship are classified as held for trading.

g) Embedded derivatives

Some contracts may include features that are similar to and expose the Group to the same risks as standalone derivatives. Where such an embedded derivative is not closely related to the host contract and where the host contract itself is not already recognised at fair value, the embedded derivative is separated from the host contract and accounted as a standalone derivative. The hedge accounting principles described below equally apply to embedded derivatives.

h) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only where there is a legally enforceable right to offset them and the Group intends to either settle them on a net basis or realise the asset and settle the liability simultaneously.

Hedge accounting

(see Notes 28 and 29)

As described in Note 29, the Group uses derivatives to mitigate risk. In many cases, the changes in the fair value of the derivatives are recognised before the hedged risk affects the Group income statement. For example, when the Group takes out a forward foreign currency contract to fix the exchange rate on committed or highly probable future sales in a foreign currency, changes in the fair value of the forward foreign exchange contract will be recognised in the income statement immediately, whereas the future sale will not affect the income statement until it is made. This creates a mismatch in the timing of recognition for compensating gains and losses.

Hedge accounting seeks to mitigate this mismatch by applying specific accounting rules, if strict criteria are met, to the items that create the exposure to risk and the items used to manage that risk.

A hedging relationship principally consists of two items: the hedged item and the hedging instrument. The hedged item is the transaction or balance that exposes the Group to a risk that can be identified and the hedging instrument is the transaction or balance that is used to manage the risk. In the above example, the contract to sell goods at a future date in a foreign currency gives rise to foreign currency transaction exposure for the Group. As exchange rates change, the eventual proceeds from the future sale when expressed in the entity's functional currency will also change, creating risk. This is the hedged item. In this example, the foreign currency exchange contract the Group takes out locks in a known functional currency value for its foreign currency cash receipt and therefore eliminates the volatility in cash flows on the sale. The forward currency exchange contract is the hedging instrument.

For a hedging relationship to qualify for hedge accounting, it must be documented at inception together with the Group's risk management objective and strategy for initiating the hedge. The hedge must both be expected to be highly effective in offsetting the changes in cash flows or fair value attributed to the hedged risk and actually be highly effective in doing so. This relationship is demonstrated by matching the terms of hedging instruments very closely to the hedged items, or where the Group uses more complex arrangements, by the use of statistical methods that show the relationship between the hedging pairs.

There are three hedging models that apply to different types of transactions.

a) Cash flow hedges

Hedging relationships are classified as cash flow hedges where the hedging instrument hedges exposure to variability in cash flows that are attributable either to a particular risk associated with a recognised asset or liability (such as interest payments on variable rate debt), a highly probable forecast transaction (such as commodity purchases) or the foreign currency risk in a firm commitment (such as the purchase of an item of equipment).

Where a hedging relationship is classified as a cash flow hedge, to the extent that the hedge is effective, changes in the fair value of the hedging instrument are recognised in other comprehensive income rather than in the income statement. When the hedged item affects the income statement, the cumulative fair value gain or loss recognised in other comprehensive income is transferred to the income statement. When a hedged firm commitment results in the recognition of a non-current asset, the initial carrying amount of the asset is adjusted for the cumulative fair value gain or loss.

If the hedging instrument expires or is sold, or if the hedging relationship no longer meets the conditions for hedge accounting, the cumulative fair value gain or loss remains in equity until the forecast transaction is recognised in the income statement. If a hedged forecast transaction is no longer expected to occur, the cumulative fair value gain or loss is immediately transferred to the income statement.

Notes to the Consolidated Financial Statements continued

3. Other principal accounting policies continued

Hedge accounting continued

b) Net investment hedges

A net investment hedge is the hedge of the currency exposure on the retranslation of the Group's net investment in a foreign operation.

Net investment hedges are accounted for similarly to cash flow hedges. Changes in the fair value of the hedging instrument are, to the extent that the hedge is effective, recognised in other comprehensive income.

In the event that the foreign operation is disposed of, the cumulative fair value gain or loss recognised in other comprehensive income is transferred to the income statement where it is included in the gain or loss on disposal of the foreign operation.

c) Fair value hedges

Hedging relationships are classified as fair value hedges where the hedging instrument hedges the exposure to changes in the fair value of a recognised asset or liability that is attributable to a particular risk (such as the fair value of fixed rate debt).

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability is adjusted by the change in its fair value attributable to the hedged risk only and the resulting gain or loss is recognised in the income statement where, to the extent that the hedge is effective, it offsets the fair value gain or loss on the hedging instrument.

Share-based payments

(see Note 31)

The Company operates share-based compensation plans under which it grants awards over its ordinary shares to its own employees and to those of its subsidiaries. All of the awards granted under the existing plans are classified as equity-settled awards. The Group recognises a compensation expense that is based on the fair value of the awards measured at the grant date using the Black-Scholes option pricing model. Fair value is not subsequently re-measured unless relevant conditions attaching to the award are modified.

Fair value reflects any market performance conditions and all non-vesting conditions. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions.

The resulting compensation expense is recognised in the income statement on a straight-line basis over the vesting period and a corresponding credit is recognised in equity. In the event of the cancellation of an award, whether by the Group or a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in the income statement.

Assets held for sale

(see Note 8)

An asset or group of assets is classified as held for sale if its carrying amount will be principally recovered through a sale transaction rather than through continuing use in the business and the following conditions are met:

- it is available for immediate sale in its present condition;
- management has committed to, and has initiated, a plan to sell the asset; and

- the sale is expected to complete within 12 months of the balance sheet date, and must be highly probable.

Assets that are classified as held for sale are measured at the lower of their carrying amount when they were classified as held for sale and their fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then, on a pro-rata basis, to the remaining assets and liabilities other than inventories, financial instruments, investment property, employee benefits and deferred tax assets, which continue to be measured in accordance with the relevant Group accounting policies.

Impairment on the initial recognition of held for sale assets, and gains or losses on subsequent re-measurement, are recognised in the income statement.

Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised. Equity accounted investments are no longer equity accounted when classified as held for sale.

Accounting standards issued but not yet adopted

The following new standards have been issued and are relevant to the Group, but were not effective for the financial year beginning 1 April 2016, and have not been adopted early:

a) IFRS 15 – Revenue from Contracts with Customers (effective for the year ending 31 March 2019)

The Group has undertaken a review of its commercial arrangements across all significant revenue streams and geographies including assessing the timing of revenue recognition as well as focusing on the accounting for principal and agency relationships, consignment stocks and discounts provided. As a result of the review, the Group has concluded that the adoption of IFRS 15 is not expected to have a material impact on reported revenue or revenue growth rates, and will continue to review its contracts and transactions with customers to ensure compliance with IFRS 15 on adoption.

b) IFRS 9 – Financial Instruments (effective for the year ending 31 March 2019)

The Group has undertaken a review of the key areas of IFRS 9 focused principally on classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The Group has concluded that the adoption of IFRS 9 will not have a material impact on its consolidated results or financial position, and will continue to review its activities in these areas to ensure compliance with IFRS 9 upon adoption.

c) IFRS 16 – Leases (effective for the year ending 31 March 2020)

The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model, and will require the Group to recognise substantially all of its current operating lease commitments on the statement of financial position. The financial impact of this, together with any other implications of the standard, will be assessed during the 2018 financial year.

There are no other new standards, new interpretations or amendments to standards or interpretations that have been published that are expected to have a significant impact on the Group's financial statements.

4. Reconciliation of alternative performance measures

For the reasons set out in Note 1, the Group presents alternative performance measures including adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

For the years presented, these alternative performance measures exclude, where relevant:

- exceptional items
- the amortisation of acquired intangible assets
- net retirement benefit interest
- tax on the above items and tax items that themselves meet these definitions.

The following table shows the reconciliation of the key alternative performance measures to the most directly comparable measures reported in accordance with IFRS:

| £m unless otherwise stated | Year ended 31 March 2017 | | | Year ended 31 March 2016 | | |
|--|--------------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|
| | IFRS reported | Adjusting items | Adjusted reported | IFRS reported | Adjusting items | Adjusted reported |
| Continuing operations | | | | | | |
| Sales | 2 753 | – | 2 753 | 2 355 | – | 2 355 |
| Operating profit | 233 | 31 | 264 | 127 | 61 | 188 |
| Net finance expense | (32) | 7 | (25) | (29) | 6 | (23) |
| Share of profit after tax of joint ventures and associates | 32 | – | 32 | 28 | – | 28 |
| Profit before tax | 233 | 38 | 271 | 126 | 67 | 193 |
| Income tax credit/(expense) | 22 | (71) | (49) | (5) | (27) | (32) |
| Non-controlling interests | – | – | – | – | – | – |
| Profit attributable to owners of the Company | 255 | (33) | 222 | 121 | 40 | 161 |
| Basic earnings per share (pence) | 55.0p | (7.2p) | 47.8p | 26.1p | 8.6p | 34.7p |
| Diluted earnings per share (pence) | 54.2p | (7.1p) | 47.1p | 25.9p | 8.6p | 34.5p |
| Effective tax rate | (9.6%) | | 18.2% | 4.0% | | 16.5% |

The following table shows the reconciliation of the adjusting items in the current and comparative year:

| | Notes | Year ended 31 March | |
|---|-------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Exceptional items in operating profit | 7 | 19 | 50 |
| Amortisation of acquired intangible assets | 19 | 12 | 11 |
| Total excluded from adjusted operating profit | | 31 | 61 |
| Net retirement benefit interest | 11 | 7 | 6 |
| Total excluded from adjusted profit before tax | | 38 | 67 |
| Tax on adjusting items | 12 | (6) | (27) |
| Exceptional deferred tax credits | 7, 12 | (65) | – |
| Total excluded from adjusted profit attributable to owners of the Company | | (33) | 40 |

Notes to the Consolidated Financial Statements continued

4. Reconciliation of alternative performance measures continued

The Group also presents two alternative cash flow measures which are defined as follows:

- Adjusted free cash flow represents cash generated from continuing operations excluding the impact of exceptional items, less net interest paid, less income tax paid, less capital expenditure.
- Adjusted operating cash flow is defined as adjusted free cash flow from continuing operations, adding back net interest paid, tax paid and retirement cash contributions, and excluding derivative and margin call movements within working capital.

The following table shows the reconciliation of these alternative cash flow performance measures:

| | Year ended 31 March | |
|---|---------------------|-------------|
| | 2017 £m | 2016* £m |
| Adjusted operating profit from continuing operations | 264 | 188 |
| Adjusted for: | | |
| Depreciation and adjusted amortisation | 137 | 104 |
| Share-based payments charge | 21 | 9 |
| Changes in working capital and other non-cash movements | 4 | 24 |
| Net retirement benefit obligations | (36) | (38) |
| Capital expenditure | (153) | (198) |
| Net interest and tax paid | (63) | (36) |
| Adjusted free cash flow | 174 | 53 |
| Add back: net interest and tax paid | 63 | 36 |
| Add back: net retirement cash contributions | 42 | 40 |
| Less: derivatives and margin call movements within changes in working capital | (6) | (5) |
| Adjusted operating cash flow | 273 | 124 |

* Restated to reflect exclusion of operating post-retirement benefit costs.

The Group presents certain financial measures as defined in its external financial covenants as well as return on capital employed (ROCE) metrics as Key Performance Indicators. Net debt to EBITDA and interest cover are defined under the Group's financial covenants and reported on a proportionate consolidation basis. For financial covenant purposes these ratios are calculated based on the accounting standards that applied for the 2014 financial year, with new accounting standards adopted by the Group subsequent to 1 April 2014 disregarded. Net debt is calculated using average currency exchange rates. Average invested operating capital represents the average at the beginning and end of the period of shareholders' equity excluding net debt, net tax assets/liabilities, investment in joint ventures and associates and net retirement benefit obligations. All ratios are calculated based on unrounded figures in £ million. The following tables present the calculation of these alternative measures:

| | | 31 March | |
|--|------|-------------|------------|
| | Note | 2017 £m | 2016 £m |
| Calculation of net debt to EBITDA ratio – on a financial covenant basis | | | |
| Net debt | 27 | 452 | 434 |
| Further adjustments set out in financial covenants: | | | |
| to reflect use of average exchange rates in translating net debt | | (13) | (11) |
| Net debt – on a financial covenant basis | | 439 | 423 |
| Adjusted operating profit | | 264 | 188 |
| Further adjustments set out in financial covenants: | | | |
| to reflect proportionate consolidation | | 48 | 44 |
| to exclude charges for share-based payments | | 21 | 9 |
| to add back depreciation and adjusted amortisation | | 137 | 104 |
| Pre-exceptional EBITDA | | 470 | 345 |
| Net debt to EBITDA ratio (times) | | 0.9 | 1.2 |

4. Reconciliation of alternative performance measures continued

| | 31 March | | |
|--|-------------|-------------|------------|
| | 2017 £m | 2016 £m | 2015 £m |
| Calculation of interest cover ratio – on a financial covenant basis | | | |
| Adjusted operating profit | 264 | 188 | |
| Further adjustments set out in financial covenants: | | | |
| to reflect proportionate consolidation | 43 | 38 | |
| to exclude charges for share-based payments | 21 | 9 | |
| Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis | 328 | 235 | |
| Adjusted net finance expense | 25 | 23 | |
| Further adjustments set out in financial covenants: | | | |
| to reflect proportionate consolidation | – | – | |
| other | (1) | (1) | |
| Net finance expense – on a financial covenant basis | 24 | 22 | |
| Interest cover ratio (times) | 13.9 | 10.7 | |
| Calculation of return on capital employed | | | |
| Adjusted operating profit | 264 | 188 | |
| Add back amortisation on acquired intangible assets | (12) | (11) | |
| Profit before interest, tax and exceptional items from continuing operations for ROCE | 252 | 177 | |
| Goodwill and other intangible assets | 401 | 390 | 340 |
| Property, plant and equipment | 1 061 | 926 | 750 |
| Working capital, provisions and non-debt derivatives | 394 | 323 | 339 |
| Other | – | 29 | 31 |
| Invested operating capital of continuing operations | 1 856 | 1 668 | 1 460 |
| Average invested operating capital | 1 762 | 1 564 | |
| Return on capital employed (ROCE) % | 14.3 | 11.3 | |

Notes to the Consolidated Financial Statements continued

5. Segment information

Segment information is presented on a consistent basis with the information presented to the Board (the designated Chief Operating Decision Maker) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. Continuing operations comprise two operating segments: Speciality Food Ingredients and Bulk Ingredients. Central, which comprises central costs including head office, treasury and re-insurance activities, does not meet the definition of an operating segment under IFRS 8 'Operating Segments' but no subtotal is shown for the Group's two operating segments in the tables below so as to be consistent with the presentation of segment information presented to the Board. Both segments are served by a single manufacturing network, and receive services from a number of global support functions. The segmental allocation of costs is performed using standard product costs to allocate all direct costs (including plant-based depreciation) and allocation keys for all indirect costs (including share-based payments and amortisation) which reflect the value of service provided to each operating unit, consistently applied over time.

The Board uses adjusted operating profit as the measure of the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses year-on-year. During the years presented, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of acquired intangible assets and exceptional items. The segmental classification of exceptional items is detailed in Note 7.

An analysis of total assets and total liabilities by operating segment is not presented to the Board but it does receive segmental analysis of net working capital (inventories, trade and other receivables, less trade and other payables). Accordingly, the amounts presented for segment assets and segment liabilities in the tables below represent those assets and liabilities that comprise elements of net working capital. The segmental split of working capital allocates raw material and co-product inventories, and associated payables, based on the segmental split of primary capacity. Other payables, work in progress and finished goods inventories and receivables are allocated based on the products to which they relate. The segment results were as follows:

a) Segment sales

| | Note | Year ended 31 March | |
|---------------------------------|------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Speciality Food Ingredients | | 996 | 897 |
| Bulk Ingredients | | 1 757 | 1 458 |
| Sales – continuing operations | | 2 753 | 2 355 |
| Sales – discontinued operations | 8 | 3 | 13 |
| Sales – total operations | | 2 756 | 2 368 |

b) Segment results

Adjusted operating profit, as defined in Notes 1 and 4, is the measure of profitability of the Group's businesses used by the Board as it is considered to be the best measure to compare the results over time.

| | Notes | Year ended 31 March | |
|--|-------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Speciality Food Ingredients | | 181 | 150 |
| Bulk Ingredients | | 129 | 84 |
| Central | | (46) | (46) |
| Adjusted operating profit – continuing operations | | 264 | 188 |
| Adjusting items: | | | |
| – exceptional items | 7 | (19) | (50) |
| – amortisation of acquired intangible assets | 19 | (12) | (11) |
| Operating profit – continuing operations | | 233 | 127 |
| Finance income | 11 | 2 | 1 |
| Finance expense | 11 | (34) | (30) |
| Share of profit after tax of joint ventures and associates | 21 | 32 | 28 |
| Profit before tax – continuing operations | | 233 | 126 |
| Profit before tax – discontinued operations | 8 | 1 | 47 |
| Profit before tax – total operations | | 234 | 173 |

5. Segment information continued

| | Year ended 31 March | |
|----------------------------------|---------------------|-----------|
| | 2017 % | 2016 % |
| Adjusted operating margin | | |
| Speciality Food Ingredients | 18.2% | 16.7% |
| Bulk Ingredients | 7.3% | 5.8% |
| Central | n/a | n/a |
| Total – continuing operations | 9.6% | 8.0% |

c) Segment assets/(liabilities)

Segment assets and segment liabilities include net working capital (inventories, trade and other receivables, less trade and other payables). An analysis of total assets and total liabilities by operating segment is not presented to the Board.

| | At 31 March 2017 | | |
|--|------------------|-------------------|--------------|
| | Assets £m | Liabilities £m | Net £m |
| Net working capital | | | |
| Speciality Food Ingredients | 371 | (129) | 242 |
| Bulk Ingredients | 349 | (146) | 203 |
| Central | 13 | (50) | (37) |
| Group working capital – continuing and total operations | 733 | (325) | 408 |
| Other assets/(liabilities) | 2 038 | (1 114) | 924 |
| Group assets/(liabilities) | 2 771 | (1 439) | 1 332 |

| | At 31 March 2016 | | |
|--|------------------|-------------------|--------------|
| | Assets £m | Liabilities £m | Net £m |
| Net working capital | | | |
| Speciality Food Ingredients | 339 | (150) | 189 |
| Bulk Ingredients | 341 | (146) | 195 |
| Central | 11 | (54) | (43) |
| Group working capital – continuing operations | 691 | (350) | 341 |
| Group working capital – discontinued operations | 5 | (2) | 3 |
| Group working capital – total operations | 696 | (352) | 344 |
| Other assets/(liabilities) | 1 858 | (1 173) | 685 |
| Group assets/(liabilities) | 2 554 | (1 525) | 1 029 |

d) Other information – depreciation

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Speciality Food Ingredients | 45 | 33 |
| Bulk Ingredients | 63 | 46 |
| Central | 1 | 1 |
| Depreciation – continuing operations | 109 | 80 |
| Depreciation – discontinued operations | – | 1 |
| Depreciation – total operations | 109 | 81 |

Notes to the Consolidated Financial Statements continued

5. Segment information continued

e) Other information – amortisation

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Speciality Food Ingredients | 30 | 27 |
| Bulk Ingredients | 9 | 7 |
| Central | 1 | 1 |
| Amortisation – continuing operations | 40 | 35 |
| Amortisation – discontinued operations | – | – |
| Amortisation – total operations | 40 | 35 |

f) Other information – share-based payments

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Speciality Food Ingredients | 7 | 3 |
| Bulk Ingredients | 6 | 3 |
| Central | 8 | 3 |
| Share-based payments – continuing operations | 21 | 9 |
| Share-based payments – discontinued operations | – | – |
| Share-based payments – total operations | 21 | 9 |

g) Other information – capital investment

Capital investment comprises the cost of acquisition of businesses and capital expenditure on property, plant and equipment, intangible assets (including amounts accrued) and investments. Capital investment is allocated based on the product(s) to which the investment relates. Where capital expenditure relates to plant sustaining or cost reduction projects, the cost is allocated based on the segmental split of the product mix by plant.

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Speciality Food Ingredients | 66 | 162 |
| Bulk Ingredients | 73 | 75 |
| Central | 19 | 15 |
| Capital investment – continuing operations | 158 | 252 |
| Capital investment – discontinued operations | – | – |
| Capital investment – total operations | 158 | 252 |

h) Geographical information – sales by destination

| | | Year ended 31 March | |
|---------------------------------|------|---------------------|------------|
| | Note | 2017 £m | 2016 £m |
| United Kingdom | | 34 | 31 |
| United States | | 2 057 | 1 736 |
| Other European countries | | 306 | 288 |
| Rest of the world | | 356 | 300 |
| Sales – continuing operations | | 2 753 | 2 355 |
| Sales – discontinued operations | 8 | 3 | 13 |
| Sales – total operations | | 2 756 | 2 368 |

5. Segment information continued

i) Geographical information – sales by origin

| | Note | Year ended 31 March | |
|---------------------------------|------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| United Kingdom | | 37 | 19 |
| United States | | 2 173 | 1 828 |
| Other European countries | | 335 | 319 |
| Rest of the world | | 208 | 189 |
| Sales – continuing operations | | 2 753 | 2 355 |
| Sales – discontinued operations | 8 | 3 | 13 |
| Sales – total operations | | 2 756 | 2 368 |

j) Concentration of revenue

During the year ended 31 March 2017, no customer contributed more than 10% of the Group's external sales from continuing operations (2016 – no customer contributed more than 10%).

k) Geographical information – location of non-current assets

The parent company is based in the United Kingdom. The location of non-current assets, other than financial instruments, deferred tax assets and retirement benefits are as follows:

| | At 31 March | |
|--------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| United Kingdom | 20 | 20 |
| United States | 1 088 | 956 |
| Other European countries | 343 | 327 |
| Rest of the world | 108 | 99 |
| Non-current assets | 1 559 | 1 402 |

Notes to the Consolidated Financial Statements continued

6. Operating profit

Analysis of operating expenses by nature:

| | Notes | Year ended 31 March | |
|--|-------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| External sales | | 2 753 | 2 355 |
| Operating expenses | | | |
| Cost of inventories (included in cost of sales) | | 1 449 | 1 268 |
| Staff costs (of which £153 million (2016 – £131 million) was included in cost of sales) | 10 | 328 | 262 |
| Depreciation of property, plant and equipment: | | | |
| – owned assets (of which £99 million (2016 – £71 million) was included in cost of sales) | 20 | 106 | 79 |
| – leased assets (included in cost of sales) | 20 | 3 | 1 |
| Exceptional items | 7 | 19 | 50 |
| Amortisation of intangible assets: | | | |
| – acquired intangible assets | 19 | 12 | 11 |
| – other intangible assets | 19 | 28 | 24 |
| Operating lease rentals: | | | |
| – plant and machinery | | 32 | 24 |
| Research and development expenditure | | 37 | 29 |
| Impairment of trade receivables | 17 | 5 | – |
| Impairment of intangible assets (non-exceptional items) | | 5 | – |
| Other operating expenses | | 496 | 480 |
| Total operating expenses | | 2 520 | 2 228 |
| Operating profit | | 233 | 127 |

Included within discontinued operations are operating expenses totalling £3 million (2016 – £14 million) partially offset by a net exceptional gain of £1 million (2016 – more than offset by £46 million net exceptional gain).

7. Exceptional items

Exceptional items recognised in arriving at operating profit were as follows:

| | Footnotes | Year ended 31 March | |
|---|-----------|---------------------|-------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Business re-alignment – impairment, restructuring and other net costs | (a) | (5) | (48) |
| Asset (impairments)/reversals and related costs | (b) | (26) | 3 |
| US retirement benefit obligation settlement gain | (c) | 9 | – |
| Tate & Lyle Ventures disposals | (d) | 3 | 7 |
| SPLENDA® Sucralose – revised table top commercial agreement | (e) | – | (2) |
| US litigation | (f) | – | (15) |
| Slovakia re-measurement gain | (g) | – | 5 |
| Exceptional items – continuing operations* | | (19) | (50) |
| Discontinued operations | | | |
| Business re-alignment – Eaststarch and Morocco disposals | (h) | 1 | 64 |
| ASR litigation settlement | (i) | – | (18) |
| Exceptional items – discontinued operations | | 1 | 46 |
| Exceptional items – total operations | | (18) | (4) |

* There was net tax on exceptional items within continuing operations of Enil (2016 – £21 million credit).

In addition, the following exceptional deferred tax items were recognised in the current and comparative year:

| | Footnotes | Year ended 31 March | |
|--|-----------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Recognition of UK tax losses | (j) | 34 | – |
| Sucralose IP transfer | (k) | 31 | – |
| Exceptional deferred tax credit – continuing operations | | 65 | – |
| Discontinued operations | | | |
| Moroccan tax matters | (l) | – | (5) |
| Exceptional tax charge – discontinued operations | | – | (5) |
| Exceptional tax credit/(charge) – total operations | | 65 | (5) |

Continuing operations – within operating profit

- a) In the year ended 31 March 2017, the Group recognised a further net £5 million charge (£6 million of additional cash costs offset by a £1 million non-cash credit) in respect of the business re-alignment of SPLENDA® Sucralose and its European operations. Cash payments in respect of this re-alignment were £21 million. The net £5 million charge was recognised within the Speciality Food Ingredients segment.

In the year ended 31 March 2016, the Group recognised exceptional costs relating to business re-alignment totalling £48 million. Of this charge, £43 million was recognised within the Speciality Food Ingredients segment, and £5 million was classified within Central costs. Of the total charge, £29 million was paid in cash in 2016.

The final total of business re-alignment costs relating to the Group's restructuring programme announced in April 2015 was £171 million, with £61 million being cash costs and £110 million being non-cash costs.

Notes to the Consolidated Financial Statements continued

7. Exceptional items continued

Continuing operations – within operating profit continued

- b) In the year ended 31 March 2017, the Group recognised a net £13 million non-cash exceptional charge in respect of its Brazilian food systems business, Tate & Lyle Gemacom Tech Indústria E Comércio S.A.. The charge comprised a partial impairment of goodwill totalling £16 million, reflecting lower growth expectations against the backdrop of a weaker macroeconomic outlook in Brazil, and a credit of £3 million arising from lower contingent consideration now expected to fall due in 2019 under the terms of the December 2014 acquisition agreement. The net charge was recognised within the Speciality Food Ingredients segment.

In the year ended 31 March 2017, the Group recognised a £7 million charge in respect of its equity interest in Jiangsu Tate & Lyle Howbetter Food Co., Ltd., its Food Systems subsidiary in China, which the Group sold on 23 December 2016. The charge comprised a £3 million cost reflecting the impact of impairing and deconsolidating the Group's investment (itself a cash generating unit) before disposal, together with a £4 million charge for associated costs. Accordingly, the Group has derecognised the £3 million financial liability previously recorded in equity for the written put option over the minority shareholder's equity interest. Cash payments for costs totalled £3 million to date. This charge was recognised within the Speciality Food Ingredients segment.

Also recognised in the year ended 31 March 2017 was a non-cash charge of £6 million in respect of the impairment of certain redundant assets at our Decatur facility in the US, that are no longer in use in the business. The charge was recognised within the Bulk Ingredients segment.

In the year ended 31 March 2016, the Group recognised a non-cash exceptional credit of £3 million in respect of the recognition of a partial reversal of an impairment of plant and equipment assets which were previously impaired through an exceptional charge. The exceptional credit was classified within the Bulk Ingredients segment.

- c) In the year ended 31 March 2017, the Group recognised a £9 million non-cash gain in respect of the settlement of certain elements of its US retirement benefit plan obligations. Under the settlement, some deferred members of the plans elected to receive a lump sum during the year ended 31 March 2017, in exchange for surrendering their rights to future payments under the scheme. The exceptional gain was recognised within the Bulk Ingredients segment (£6 million) and the Speciality Food Ingredients segment (£3 million).
- d) In the year ended 31 March 2017, the Group recognised a £3 million cash gain, primarily in respect of deferred consideration received following disposal of part of its venture fund portfolio which was previously classified as an available-for-sale financial asset. This profit was classified within central costs.
- In the year ended 31 March 2016, the Group recognised a net £7 million gain (£9 million gain partially offset by £2 million loss), primarily from disposals in its venture fund portfolio.
- e) In the year ended 31 March 2016, the Group received cash compensation of £5 million related to SPLENDA® Sucralose and the renegotiation of our commercial agreements for the SPLENDA® Sucralose brand table top business. The Group also wrote off a marketing-related intangible asset (loss of £9 million) and wrote back an associated payable (gain of £2 million). These amounts were all classified within the Speciality Food Ingredients segment.
- f) In the year ended 31 March 2016, the Group recognised a £15 million exceptional charge in respect of two US litigation cases: one brought by the American Sugar Association (£9 million – cash settled); and another in respect of the Passaic River litigation (£6 million). See Note 32 for further details.
- g) In the year ended 31 March 2016, as part of the re-alignment of the Eaststarch joint venture, the Group recognised an exceptional gain of £5 million within continuing operations reflecting the re-measurement to fair value of its existing investment in Slovakia. This gain was classified within the Speciality Food Ingredients segment.

Net tax on exceptional items within continuing operations was £nil (2016 – £21 million credit). Tax credits/charges on exceptional items are only recognised to the extent that gains/losses incurred are expected to result in tax recoverable/payable in the future.

Discontinued operations – within operating profit

- h) On 1 June 2016, the Group completed the sale of its corn wet mill in Casablanca, Morocco to Archer Daniels Midland Inc. (ADM), receiving gross cash proceeds of £4 million. In the year ended 31 March 2017, following completion of this disposal, the Group recognised a £1 million exceptional gain resulting from the recycling of cumulative foreign exchange translation gains from reserves to the income statement. This non-cash gain was recognised within the Bulk Ingredients segment.

In the year ended 31 March 2016, the Group recognised a net exceptional gain of £64 million in relation to the exit from a substantial part of its European Bulk Ingredients business. The Group recognised an exceptional profit on disposal of £68 million in respect of the disposal of its share in the Eaststarch joint venture (see Note 34). The Group also recognised a £4 million non-cash impairment charge in respect of its Bulk Ingredients facility in Morocco with an agreement reached with ADM to purchase this facility. The impairment represented the excess of book carrying value over the expected proceeds.

7. Exceptional items continued

Discontinued operations – within operating profit continued

- i) In the year ended 31 March 2016, the Group recognised an £18 million exceptional charge within discontinued operations for settlement made with American Sugar Refining, Inc. ('ASR') in respect of claims made in relation to its acquisition of the Group's EU Sugars business in September 2010.

There was no tax on discontinued exceptional items in either the current or comparative year.

Continuing operations – exceptional deferred tax items

- j) In the year ended 31 March 2017, following changes in UK tax legislation and changes to the internal financing arrangements we use to fund our international businesses, the Group recognised an exceptional deferred tax credit of £34 million, reflecting previously unrecognised tax losses in the UK, which, based on enacted legislation, are now expected to be utilised against future UK taxable profits.
- k) During the year ended 31 March 2017, the Group undertook the transfer at fair value of its sucralose intellectual property assets from the UK to the US, to align ownership with the corresponding manufacturing base following the move to consolidate all sucralose production into our US facility in the 2016 financial year. This transaction led to the recognition of an exceptional deferred tax credit of £31 million, reflecting the anticipated future tax benefits.

Discontinued operations – exceptional tax items

- l) During the year ended 31 March 2016, the Group recognised an exceptional tax charge of £5 million in discontinued operations in respect of historical tax matters relating to the Moroccan facility which the Group has now sold to ADM.

Exceptional cash flows

Net cash outflow on exceptional items were as follows:

| | Footnotes | Year ended 31 March | |
|---|-----------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Business re-alignment – impairment, restructuring and other net costs | (a) | (21) | (29) |
| Asset (impairment)/reversals and related costs | (b) | (3) | – |
| SPLENDA® Sucralose – revised table top commercial agreement | (e) | – | 5 |
| US litigation | (f) | – | (9) |
| Net cash outflow – exceptional items | | (24) | (33) |
| Income statement charge – included in profit before tax | | 19 | 50 |
| Adjustment for: exceptional items – per cash flow statement | | (5) | 17 |

In addition, in the year ended 31 March 2017, there were exceptional cash flows relating to the sale of assets from the Group's venture fund portfolio totalling £2 million (2016 – £18 million) recognised within cash from investing activities.

Notes to the Consolidated Financial Statements continued

8. Discontinued operations and assets classified as held for sale

The discontinued operations of the Group are disclosed and discussed further in Note 3.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

| | Year ended 31 March 2017 | |
|--|--------------------------|---|
| | Notes | Eaststarch/Morocco total discontinued £m |
| Discontinued operations | | |
| Sales | 5 | 3 |
| Operating profit including exceptional items | | 1 |
| Profit for the year – discontinued operations | | 1 |
| Basic and diluted earnings per share (pence) – discontinued operations | 13 | 0.2p |

On 1 June 2016, the Group completed the sale of its corn wet mill in Casablanca, Morocco to ADM, receiving gross cash proceeds of £4 million and recognising a £1 million exceptional gain in the year ended 31 March 2017 (see Note 7).

| | Year ended 31 March 2016 | | | |
|--|--------------------------|------------------------------|----------------------------|-----------------------------|
| | Notes | Eaststarch/ Morocco £m | Sugars/ EU Starch £m | Total discontinued £m |
| Discontinued operations | | | | |
| Sales | | 13 | – | 13 |
| Operating profit/(loss) including exceptional items | | 65 | (20) | 45 |
| Share of profit after tax of joint ventures and associates | 21 | 2 | – | 2 |
| Profit/(loss) before tax | | 67 | (20) | 47 |
| Income tax charge (exceptional item) | 7, 12 | (5) | – | (5) |
| Profit/(loss) for the year – discontinued operations | | 62 | (20) | 42 |
| Basic earnings per share (pence) – discontinued operations | 13 | | | 9.0p |
| Diluted earnings per share (pence) – discontinued operations | 13 | | | 8.9p |

In the year ended 31 March 2016, sales of £13 million were recognised by the Group's corn wet mill in Casablanca, Morocco. The Group realised an exceptional profit on disposal of £68 million in respect of the disposal of the Hungarian, Bulgarian and Turkish Eaststarch plants. This exceptional profit was partially offset by a £3 million operating loss in relation to the Group's corn wet mill in Casablanca, Morocco which included an exceptional impairment charge of £4 million (see Note 7). The £20 million loss relating to Sugars and EU Starch comprised the £18 million ASR charge described in Note 7 and £2 million Amylum UK Pension Scheme payment (see Note 30).

The results of the discontinued operations which have been included in the consolidated statement of cash flows were as follows:

| | Year ended 31 March 2017 | |
|--|--------------------------|---|
| | | Eaststarch/Morocco total discontinued £m |
| Discontinued operations | | |
| Profit before tax from discontinued operations | | 1 |
| Adjustment for: | | |
| Exceptional items and changes in working capital | | (4) |
| Cash used in discontinued operations | | (3) |

| | Year ended 31 March 2016 | | | |
|--|--------------------------|------------------------------|----------------------------|-----------------------------|
| | | Eaststarch/ Morocco £m | Sugars/ EU Starch £m | Total discontinued £m |
| Discontinued operations | | | | |
| Profit/(loss) before tax from discontinued operations | | 67 | (20) | 47 |
| Adjustments for: | | | | |
| Exceptional items and changes in working capital | | (69) | (5) | (74) |
| Share of profit after tax of joint ventures and associates | | (2) | – | (2) |
| Cash used in discontinued operations | | (4) | (25) | (29) |

8. Discontinued operations and assets classified as held for sale continued

Assets held for sale

There were no assets or liabilities classified as held for sale at 31 March 2017.

The assets and liabilities of Tate & Lyle Morocco SA were classified as held for sale at 31 March 2016, based on the agreement to sell to ADM, which completed on 1 June 2016. The carrying amounts of assets and liabilities totalled £5 million (consisting of assets totalling £7 million and liabilities totalling £2 million) after recognition of a £4 million impairment charge (see Note 7).

9. Auditors' remuneration

Fees payable to the Company's external auditors, PricewaterhouseCoopers LLP, and its associates were as follows:

| | Year ended 31 March | |
|---|---------------------|------------|
| | 2017 £m | 2016 £m |
| Fees payable for the audit of the Company and consolidated financial statements | 0.7 | 0.7 |
| Fees payable for other services: | | |
| – the audit of the Company's subsidiaries | 1.7 | 1.2 |
| – audit-related services | 0.1 | 0.1 |
| – other non-audit services | 0.1 | 0.2 |
| | 2.6 | 2.2 |
| Fees in respect of the audit of the Group's pension schemes | 0.1 | 0.1 |
| Total | 2.7 | 2.3 |

The audit and non-audit fees related to joint ventures payable to PricewaterhouseCoopers LLP and its associates, excluded from the table above, were £nil (2016 – £nil) and £nil (2016 – £nil) respectively.

10. Staff costs

Staff costs were as follows:

| | Year ended 31 March 2017 | | Year ended 31 March 2016 | |
|--|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| | Continuing operations £m | Discontinued operations £m | Continuing operations £m | Discontinued operations £m |
| Wages and salaries | 275 | – | 233 | 1 |
| Social security costs | 22 | – | 17 | – |
| Other pension costs: | | | | |
| – defined benefit pension schemes | 2 | – | 2 | – |
| – defined contribution pension schemes | 7 | – | 4 | – |
| Retirement medical benefits | 1 | – | (3) | – |
| Share-based payments | 21 | – | 9 | – |
| Total | 328 | – | 262 | 1 |

The average number of people employed by the Company and its subsidiaries, including part-time employees, is set out below:

| | Year ended 31 March | |
|------------------------------|---------------------|--------------|
| | 2017 | 2016 |
| By operating segment | | |
| Continuing operations | | |
| Speciality Food Ingredients | 1 931 | 2 092 |
| Bulk Ingredients | 1 731 | 1 621 |
| Central | 489 | 448 |
| Total | 4 151 | 4 161 |

In addition, the average number of people employed relating to discontinued operations was 15 (2016 – 93).

At 31 March 2017, the Group employed 4,146 (2016 – 4,326) people within continuing operations. The number of people employed by the Group relating to discontinued operations at 31 March 2017 was nil (2016 – 91). The Group's two operating segments are supported by Global Operations, which is responsible for running the Group's manufacturing facilities. The Group allocates the headcount of the Global Operations team to segments based on the split of primary capacity at each location. Central includes shared-service employees who perform activities for the whole Group, including the Speciality Food Ingredients and Bulk Ingredients segments.

Notes to the Consolidated Financial Statements continued

10. Staff costs continued

Key management compensation

| | Year ended 31 March | |
|---|---------------------|------------|
| | 2017 £m | 2016 £m |
| Salaries and short-term employee benefits | 11 | 10 |
| Retirement benefits | 1 | 1 |
| Share-based payments | 9 | 2 |
| Total | 21 | 13 |

Key management is represented by the Executive Committee and the Company's Directors. Remuneration details of the Company's Directors, are given in the Directors' Remuneration Report on pages 74 to 97. Members of the Executive Committee are identified on pages 20 and 21. The aggregate gains made by the Directors on the exercise of share options were £4 million (2016 – £9 million).

11. Finance income and expense

| | Note | Year ended 31 March | |
|---|-------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Net finance expense | | | |
| Interest payable on bank and other borrowings | | (25) | (22) |
| Fair value hedges: | | | |
| – fair value loss on interest rate derivatives | | (4) | (4) |
| – fair value adjustment of hedged borrowings | | 4 | 4 |
| Finance lease interest | | (1) | (1) |
| Net retirement benefit interest | 30 | (7) | (6) |
| Unwinding of discount on liabilities | | (1) | (1) |
| Finance expense | | (34) | (30) |
| Finance income | | 2 | 1 |
| Net finance expense | | (32) | (29) |
| Reconciliation to adjusted net finance expense | | | |
| | Notes | £m | £m |
| Net finance expense | | (32) | (29) |
| Net retirement benefit interest | 30 | 7 | 6 |
| Adjusted net finance expense – continuing operations | 4 | (25) | (23) |

Finance expense is shown net of borrowing costs capitalised within property, plant and equipment of £2 million (2016 – £2 million) at a capitalisation rate of 3.8% (2016 – 3.3%).

Interest payable on other borrowings includes £0.2 million (2016 – £0.2 million) of dividends in respect of the Group's 6.5% cumulative preference shares. Finance income and finance expense relate wholly to continuing operations.

12. Income taxes

Analysis of charge for the year – continuing operations

| | Year ended 31 March | | |
|---|---------------------|------------|------|
| | 2017 £m | 2016 £m | |
| Continuing operations | | | |
| Current tax: | | | |
| – United Kingdom (UK) | – | – | |
| – Overseas | (23) | (32) | |
| Adjustments in respect of previous years | – | 2 | |
| | (23) | (30) | |
| Deferred tax: | | | |
| Credit for the year | 45 | 24 | |
| Adjustments in respect of previous years | – | 1 | |
| Income tax credit/(expense) – continuing operations | 22 | (5) | |
| | | | |
| Reconciliation to adjusted income tax expense | | | |
| | Notes | £m | £m |
| Income tax credit/(expense) | | 22 | (5) |
| Taxation on exceptional items, amortisation of acquired intangibles and net retirement benefit interest | | (6) | (27) |
| Exceptional deferred tax credits | 7 | (65) | – |
| Adjusted income tax expense – continuing operations | 4 | (49) | (32) |

The Group's adjusted effective tax rate on continuing operations, calculated on the basis of the adjusted income tax expense of £49 million (2016 – £32 million) as a proportion of adjusted profit before tax of £271 million (2016 – £193 million) was 18.2% (2016 – 16.5%).

The Group's reported tax rate on continuing operations, calculated on the basis of the reported income tax credit of £22 million (2016 – charge of £5 million) as a proportion of profit before tax of £233 million (2016 – £126 million) was a credit of 9.6% (2016 – charge of 4.0%).

The Group's income tax credit for the year ended 31 March 2017 of £22 million (2016 – charge of £5 million) is stated after recognition of a net deferred tax credit of £45 million (2016 – £25 million). The deferred tax credit comprises exceptional deferred tax credits of £65 million (2016 – £nil) partially offset by underlying net deferred tax charges of £20 million (2016 – £25 million net credit).

Exceptional deferred tax credits recognised in the year of £65 million comprised two items. Firstly, changes to UK tax legislation and the Group's internal financing structure which led to the recognition of an exceptional deferred tax credit of £34 million arising from previously unrecognised tax losses in the UK, which, based on enacted legislation, are now expected to be utilised against future UK taxable profits. Secondly, the Group also transferred at fair value its sucralose intellectual property assets from the UK to the US. This transfer led to the recognition of an exceptional deferred tax credit of £31 million. Further details can be found in Note 7.

The Group's adjusted income tax charge of £49 million (2016 – £32 million) is stated before the exceptional deferred tax credits above, and the tax impact of the adjustments made between reported and adjusted profit before tax (being adjustments for amortisation of acquired intangibles, exceptional items in operating profit and net retirement benefit interest items).

The standard rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2017 and is expected to reduce from 19% to 17% with effect from 1 April 2020.

The Group recognised no tax charge in the UK in the year (2016 – £nil), as costs, together with brought forward losses, exceeded current year taxable income. The remaining UK losses have been treated as partially recoverable in future periods, as reflected in the deferred tax asset booked for the year (see page 137).

At 31 March 2017, the carrying value of current tax assets totalled £1 million (2016 – £3 million) and the carrying value of the current tax liabilities totalled £57 million (2016 – £66 million).

Notes to the Consolidated Financial Statements continued

12. Income taxes continued

An analysis of tax (charged)/credited on adjusting items and exceptional tax items within continuing operations is set out below:

| | Notes | Year ended 31 March 2017 | | Year ended 31 March 2016 | |
|--|-------|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | | Pre-tax £m | Tax (charge)/ credit £m | Pre-tax £m | Tax (charge)/ credit £m |
| Exceptional items | | | | | |
| Business re-alignment – impairment, restructuring and other net costs | | (5) | 1 | (48) | 15 |
| Asset (impairments)/reversals and related costs | | (26) | 2 | 3 | (1) |
| US retirement benefit obligation settlement gain | | 9 | (3) | – | – |
| Tate & Lyle Ventures disposals | | 3 | – | 7 | – |
| SPLENDA® Sucralose agreement | | – | – | (2) | 1 |
| US litigation | | – | – | (15) | 6 |
| Slovakia re-measurement gain | | – | – | 5 | – |
| Exceptional items | | (19) | – | (50) | 21 |
| Amortisation of acquired intangibles | | (12) | 3 | (11) | 3 |
| Net retirement benefit interest | | (7) | 3 | (6) | 3 |
| Adjusting items | 4 | (38) | 6 | (67) | 27 |
| Exceptional deferred tax items | | | | | |
| Recognition of UK tax losses | | | 34 | | – |
| Sucralose IP transfer | | | 31 | | – |
| Exceptional deferred tax items | 4, 7 | | 65 | | – |
| Total – continuing operations | 4 | (38) | 71 | (67) | 27 |

12. Income taxes continued

Reconciliation of the effective tax rate

As the Group's head office and parent company are domiciled in the UK, the Group uses the UK corporation tax rate to reference its effective tax rate, notwithstanding that only a small proportion of the Group's business is in the UK. The tax on the Group's profit before tax differs from the standard rate of corporation tax in the UK as follows:

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Profit before tax | 233 | 126 |
| Less share of profit after tax of joint ventures and associates | (32) | (28) |
| Parent Company and subsidiaries profit before tax | 201 | 98 |
| Corporation tax charge thereon at 20% (2016 – 20%) | (40) | (19) |
| Adjusted for the effects of: | | |
| – non-deductible expenses and other permanent items | – | 1 |
| – impairment of assets not deductible | (5) | – |
| – benefits from internal financing arrangements ¹ | 21 | 25 |
| – sale of investments not taxable | 1 | 1 |
| – manufacturing credits ² | 6 | 3 |
| – losses not currently treated as being recoverable in future periods ³ | (4) | (10) |
| – losses previously considered irrecoverable, now expected to be recoverable | 3 | – |
| – exceptional deferred tax credits ⁴ | 65 | – |
| – adjustments to tax in respect of prior years ⁵ | – | 3 |
| – tax rates above the UK rate applied on overseas earnings ⁶ | (25) | (9) |
| Total tax credit/(charge) – continuing operations | 22 | (5) |

1 The Group's tax rate is favourably affected by its internal financing arrangements which involve borrowing by its US operations from the UK, the interest on which has the effect of reducing the amount of tax payable.

2 The Group benefits from certain tax incentives available to manufacturing companies.

3 The Group incurs expenses in jurisdictions where it does not currently expect to be able to recover these amounts against future taxable profits. This has the effect of increasing the Group's overall effective tax rate.

4 The Group undertook certain intragroup transactions in the 2017 financial year which resulted in the recognition of deferred tax assets in respect of UK losses now expected to be utilised. This amount comprised the exceptional credit of £34 million relating to the Group's internal financing transaction and an exceptional credit of £31 million relating to the sale of Sucralose IP.

5 The Group benefited from the favourable settlement of certain prior year tax matters in the previous year.

6 The Group is subject to tax rates in the jurisdictions in which it operates which are above the UK corporation tax rate (the Group's reference rate) leading to an increase in total tax charge.

Key factors impacting the sustainability of the effective tax rate are as follows:

1. Our ability to continue to operate an efficient internal financing arrangement

One of our internal financing arrangements involves borrowing by our US operations from the UK, the interest on which has the effect of reducing the amount of tax payable. This delivered a benefit of £21 million in the 2017 financial year (2016 – £25 million). As a result of recent changes in UK legislation arising from the OECD's Base Erosion and Profit Shifting (BEPS) project and changes to the internal financing arrangements we use to fund our international businesses, we have recognised a deferred tax asset of £34 million arising from previously unrecognised tax losses in the UK, which are now expected to be utilised against future UK taxable profits. In the current period, the recognition of this deferred tax asset lowers the reported effective tax rate (on statutory earnings). If our ability to operate this revised arrangement was constrained in the future, due to legislative change or other factors, our tax rate could increase materially.

2. The timing of recognising tax benefits from brought forward losses in the UK

The Group expects to recognise taxable profits in the UK in future periods and, as such, has recognised historical losses in the form of deferred tax assets expected to be utilised to offset these profits. However, legislative changes in the UK have been announced which will restrict the utilisation of these brought forward losses by 50%. Upon substantive enactment of these changes, the Group will be required to adjust the deferred tax asset recognised in respect of historical losses, which is expected to lead to a significant taxation charge in the Group's income statement. To the extent that UK taxable profits exceed current year losses in any subsequent year, the Group's ability to relieve these profits against prior year losses will be limited, resulting in a UK tax charge.

3. Material changes in the geographic mix of profits

The Group's effective tax rate is sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions such as the US, nil effective rates in the UK due to the availability of losses and rates that lie somewhere in between. If the geographic mix of profits were to change materially, through changes in the composition of the Group's business or changes in performance, our tax rate could change materially.

Notes to the Consolidated Financial Statements continued

12. Income taxes continued

Key factors impacting the sustainability of the effective tax rate are as follows continued:

4. Changes in tax rates

Changes in tax rates in the jurisdictions in which the Group operates could have a material effect on the Group's effective tax rate. An increase in geopolitical uncertainties in the US (following the election of President Trump) and elsewhere, increases the likelihood of material tax reform. The precise nature of any such reform, and its impact on the Group, remains uncertain.

5. Resolution of tax judgements arising from current or future tax issues

At any one time, the Group can be subject to a number of challenges by tax authorities in the jurisdictions in which it operates. The outcome of these challenges is inherently uncertain, potentially resulting in a different tax charge from the amounts initially provided.

At 31 March 2017, the Group carried a central provision in respect of uncertain tax positions totalling £34 million (2016 – £31 million) within current tax payables. Based on all substantively enacted legislation, the Group believes that no reasonably possible change in assumptions would lead to a material change in this number.

Exceptional deferred tax credits

In the year ended 31 March 2017, the Group recognised exceptional deferred tax credits totalling £65 million in respect of recent changes to UK tax legislation and the Group's internal financing structure, and a transfer of intellectual property assets related to SPLENDA® Sucralose to align ownership with the underlying US manufacturing base. Further details can be found in Note 7.

Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values.

The movements in deferred tax assets and liabilities during the year were as follows:

| | Capital allowances in excess of depreciation £m | Retirement benefit obligations £m | Share-based payments £m | Tax losses £m | Other ¹ £m | Total £m |
|--|--|--------------------------------------|----------------------------|------------------|--------------------------|-------------|
| At 1 April 2015 | (132) | 87 | 4 | 13 | – | (28) |
| Credited/(charged) to the income statement | | | | | | |
| (underlying) | 4 | (6) | 1 | (8) | 13 | 4 |
| Credited to the income statement (exceptional) | – | – | – | – | 21 | 21 |
| Credited to other comprehensive income | – | 2 | – | – | – | 2 |
| Charged directly to equity | – | – | (3) | – | – | (3) |
| Acquisitions/disposals | – | – | – | – | (7) | (7) |
| Currency translation differences | (6) | – | – | 1 | (2) | (7) |
| At 31 March 2016 | (134) | 83 | 2 | 6 | 25 | (18) |
| (Charged)/credited to the income statement | | | | | | |
| (underlying) | (11) | (6) | 2 | – | (5) | (20) |
| Credited to the income statement (exceptional) | – | – | – | 34 | 31 | 65 |
| Charged to other comprehensive income | – | (30) | – | – | – | (30) |
| Credited directly to equity | – | – | 3 | – | – | 3 |
| Currency translation differences | (24) | 17 | – | – | 4 | (3) |
| At 31 March 2017 | (169) | 64 | 7 | 40 | 55 | (3) |

¹ During the year the Group rationalised ownership of its Sucralose IP to align it with the underlying US manufacturing base. This resulted in the recognition of a deferred tax asset of £31 million. Other deferred tax items include temporary differences arising from accounting provisions, where the timing of the tax deduction is different from the timing of accounting recognition, and business combinations.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. After taking these offsets into account, the net position of £3 million liability (2016 – £18 million liability) is presented as a £22 million deferred tax asset (2016 – £3 million asset) and a £25 million deferred tax liability (2016 – £21 million liability) in the Group's statement of financial position.

12. Income taxes continued

Deferred tax continued

Changes in enacted tax rates had no effect on the amount of deferred tax charged to the income statement and other comprehensive income or equity. There was no impact from the imposition of new taxes. No deferred tax assets have been recognised in respect of tax losses of £508 million (2016 – £753 million) as there is uncertainty as to whether taxable profits against which these assets may be recovered, will be available. No unrelieved tax losses expired under current tax legislation in the year ended 31 March 2017.

The total deferred tax on unremitted earnings is £3 million (2016 – £4 million) of which £2 million (2016 – £nil) has been recognised. The Group has not recognised the full amount as it is able to control the timing of the reversal of certain of these temporary differences and it is not probable that they will reverse in the foreseeable future.

Discontinued operations

The income tax charge in respect of discontinued operations (Note 8) in the year ended 31 March 2017 was £nil (2016 – £5 million). The prior year charge reflected an exceptional cost in respect of historical tax matters at the Moroccan facility, which the Group sold to ADM during the 2017 financial year.

Tax on other comprehensive income

The following table sets out the tax arising on components of other comprehensive income:

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Retirement benefit obligations | (30) | 2 |
| Deferred tax (credit)/charge relating to components of other comprehensive income | (30) | 2 |

Tax on items recognised directly in equity

A deferred tax credit of £3 million, in relation to share-based payments, was recognised directly in equity (2016 – £3 million charge).

13. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding an average of 4 million shares (2016 – 4 million shares) held by the Company or the Employee Benefit Trust to satisfy awards made under the Group's share-based incentive plans.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of potentially dilutive ordinary shares, reflecting vesting assumptions on employee share plans, as well as the profit attributable to owners of the Company for any proceeds on such conversions. Potentially dilutive ordinary shares arise from awards made under the Group's share-based incentive plans. Where the vesting of these awards is contingent on satisfying a service or performance condition, the number of potentially dilutive ordinary shares is calculated based on the status of the condition at the end of the period. Potentially dilutive ordinary shares are dilutive only when the average market price of the Company's ordinary shares during the period exceeds their exercise price (options) or issue price (other awards). Otherwise, the effect of exercising such options or awards would be to increase the earnings per share rather than to dilute.

The greater any such excess, the greater the dilutive effect. The average market price of the Company's ordinary shares during the year was 695p (2016 – 574p). The dilutive effect of share-based incentives was 7.1 million shares (2016 – 3.4 million shares).

| | Year ended 31 March 2017 | | | Year ended 31 March 2016 | | |
|--|--------------------------|-------------------------|------------------|--------------------------|-------------------------|------------------|
| | Continuing operations | Discontinued operations | Total operations | Continuing operations | Discontinued operations | Total operations |
| Profit attributable to owners of the Company (£ million) | 255 | 1 | 256 | 121 | 42 | 163 |
| Weighted average number of ordinary shares (million) – basic | 464.1 | 464.1 | 464.1 | 464.3 | 464.3 | 464.3 |
| Basic earnings per share (pence) | 55.0p | 0.2p | 55.2p | 26.1p | 9.0p | 35.1p |
| Weighted average number of ordinary shares (million) – diluted | 471.2 | 471.2 | 471.2 | 467.7 | 467.7 | 467.7 |
| Diluted earnings per share (pence) | 54.2p | 0.2p | 54.4p | 25.9p | 8.9p | 34.8p |

Notes to the Consolidated Financial Statements continued

13. Earnings per share continued

Adjusted earnings per share

A reconciliation between profit attributable to owners of the Company from continuing operations and the equivalent adjusted metric, together with the resulting adjusted earnings per share metrics can be found below:

| | Notes | Year ended 31 March | |
|---|--------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Continuing operations | | | |
| Profit attributable to owners of the Company | | 255 | 121 |
| Adjusting items: | | | |
| - exceptional items | 7 | 19 | 50 |
| - amortisation of acquired intangible assets | 19 | 12 | 11 |
| - net retirement benefit interest | 11, 30 | 7 | 6 |
| - tax effect of the above adjustments | 12 | (6) | (27) |
| - exceptional deferred tax credits | 7, 12 | (65) | - |
| Adjusted profit attributable to owners of the Company | 4 | 222 | 161 |
| Adjusted basic earnings per share (pence) – continuing operations | | 47.8p | 34.7p |
| Adjusted diluted earnings per share (pence) – continuing operations | | 47.1p | 34.5p |

14. Dividends on ordinary shares

Dividends on ordinary shares in respect of the financial year:

| | Year ended 31 March | |
|---------------------------|---------------------|---------------|
| | 2017 Pence | 2016 Pence |
| Per ordinary share: | | |
| - interim dividend paid | 8.2 | 8.2 |
| - final dividend proposed | 19.8 | 19.8 |
| Total dividend | 28.0 | 28.0 |

The Directors propose a final dividend for the financial year of 19.8p per ordinary share that, subject to approval by shareholders, will be paid on 1 August 2017 to shareholders who are on the Register of Members on 30 June 2017.

Dividends on ordinary shares paid in the financial year:

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Final dividend paid relating to the prior financial year | 92 | 92 |
| Interim dividend paid relating to the financial year | 38 | 38 |
| Total dividend paid | 130 | 130 |

Based on the number of ordinary shares outstanding at 31 March 2017 and the proposed amount, the final dividend for the financial year is expected to amount to £92 million.

15. Inventories

| | At 31 March | |
|-------------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Raw materials and consumables | 206 | 187 |
| Work in progress | 19 | 12 |
| Finished goods | 216 | 190 |
| Total | 441 | 389 |

Finished goods inventories of £4 million (2016 – £7 million) are carried at net realisable value, this being lower than cost. Agricultural produce after harvest of £103 million (2016 – £101 million) is carried at net realisable value. During the year ended 31 March 2017, the Group recognised a write-down of inventories totalling £6 million, which relates to the normal course of business and is included in the cost of inventories. During the year ended 31 March 2016, the Group recognised a write-down of inventories totalling £4 million, of which £3 million related to the normal course of business and was included in the cost of inventories. The remaining £1 million related to the write-down of sucralose inventories as part of the business re-alignment costs (see Note 7).

16. Cash and cash equivalents

| | At 31 March | |
|--------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Cash at bank and in hand | 261 | 208 |
| Short-term bank deposits | – | 109 |
| Total | 261 | 317 |

At 31 March 2017, the Group held £nil short-term deposits. The effective interest rate on short-term deposits at 31 March 2016 was 0.5%, with an average maturity of 19 days.

The carrying amount of cash and cash equivalents was denominated in the following currencies:

| | At 31 March | |
|--------------|-------------|------------|
| | 2017 £m | 2016 £m |
| US dollar | 226 | 217 |
| Euro | 12 | 10 |
| Sterling | 2 | 63 |
| Other | 21 | 27 |
| Total | 261 | 317 |

17. Trade and other receivables

| | At 31 March | |
|-----------------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Trade receivables | 264 | 246 |
| Less provision for doubtful debts | (14) | (8) |
| Trade receivables – net | 250 | 238 |
| Prepayments and accrued income | 15 | 17 |
| Margin deposits | 3 | 15 |
| Other receivables | 23 | 31 |
| Total | 291 | 301 |

The above amounts do not include non-current other receivables of £1 million (2016 – £1 million).

The carrying amount of trade and other receivables was denominated in the following currencies:

| | At 31 March | |
|--------------|-------------|------------|
| | 2017 £m | 2016 £m |
| US dollar | 184 | 183 |
| Euro | 46 | 63 |
| Sterling | 12 | 10 |
| Other | 50 | 46 |
| Total | 292 | 302 |

During the year, the Group recognised impairments or write-offs of receivables totalling £5 million (2016 – £nil). At 31 March 2017, trade receivables of £7 million (2016 – £9 million) were past due but not impaired because they were considered to be collectible.

The ageing analysis of these trade receivables was as follows:

| | At 31 March | |
|------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Up to 30 days past due | 6 | 8 |
| 1–3 months past due | 1 | 1 |
| Over 3 months past due | – | – |
| Total | 7 | 9 |

Trade receivables are not generally interest-bearing but interest may be charged to customers on overdue amounts.

Notes to the Consolidated Financial Statements continued

18. Available-for-sale financial assets

Available-for-sale financial assets comprise £30 million (2016 – £23 million) of unlisted securities. The fair values of available-for-sale financial assets are carried at cost where fair value cannot be reliably measured.

| | Note | £m |
|--|------|------------|
| At 1 April 2015 | | 31 |
| Year ended 31 March 2016: | | |
| Additions | | 4 |
| Disposals | | (9) |
| Impairment loss | | (3) |
| At 31 March 2016 | | 23 |
| Year ended 31 March 2017: | | |
| Additions | | 4 |
| Disposals | | (2) |
| Re-measurement of non-qualified deferred compensation arrangements | 30 | 2 |
| Currency translation differences | | 3 |
| At 31 March 2017 | | 30 |

The carrying value of the available-for-sale financial assets was denominated in the following currencies:

| | At 31 March | |
|--------------|-------------|------------|
| | 2017 £m | 2016 £m |
| US dollar | 25 | 19 |
| Sterling | 2 | 2 |
| Euro | 3 | 2 |
| Total | 30 | 23 |

Presented in the statement of financial position as follows:

| | At 31 March | |
|--------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Non-current assets | 30 | 19 |
| Current assets | - | 4 |
| Total | 30 | 23 |

19. Goodwill and other intangible assets

| | Goodwill £m | Patents and other IP £m | Other acquired intangibles £m | Total acquired intangibles £m | Other intangible assets £m | Total £m |
|--|----------------|-------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------|
| Cost | | | | | | |
| At 1 April 2016 | 204 | 40 | 150 | 394 | 204 | 598 |
| Re-measurement of acquisition | 1 | - | - | 1 | - | 1 |
| Additions at cost | - | - | - | - | 26 | 26 |
| Disposals and write-offs | (2) | - | - | (2) | (1) | (3) |
| Currency translation differences | 26 | 1 | 16 | 43 | 25 | 68 |
| At 31 March 2017 | 229 | 41 | 166 | 436 | 254 | 690 |
| Accumulated amortisation and impairment | | | | | | |
| At 1 April 2016 | - | 35 | 91 | 126 | 82 | 208 |
| Impairment charge | 18 | - | - | 18 | 5 | 23 |
| Disposals and write-offs | (2) | - | - | (2) | - | (2) |
| Amortisation charge | - | 2 | 10 | 12 | 28 | 40 |
| Currency translation differences | 1 | - | 11 | 12 | 8 | 20 |
| At 31 March 2017 | 17 | 37 | 112 | 166 | 123 | 289 |
| Net book value at 31 March 2017 | 212 | 4 | 54 | 270 | 131 | 401 |
| Cost | | | | | | |
| At 1 April 2015 | 158 | 40 | 107 | 305 | 203 | 508 |
| Subsidiaries acquired | 32 | - | 33 | 65 | - | 65 |
| Additions at cost | - | - | - | - | 19 | 19 |
| Disposals and write-offs | - | - | - | - | (24) | (24) |
| Transfer to assets held for sale | - | - | - | - | (1) | (1) |
| Currency translation differences | 14 | - | 10 | 24 | 7 | 31 |
| At 31 March 2016 | 204 | 40 | 150 | 394 | 204 | 598 |
| Accumulated amortisation and impairment | | | | | | |
| At 1 April 2015 | - | 33 | 76 | 109 | 59 | 168 |
| Disposals and write-offs | - | - | - | - | (5) | (5) |
| Amortisation charge | - | 2 | 9 | 11 | 24 | 35 |
| Currency translation differences | - | - | 6 | 6 | 4 | 10 |
| At 31 March 2016 | - | 35 | 91 | 126 | 82 | 208 |
| Net book value at 31 March 2016 | 204 | 5 | 59 | 268 | 122 | 390 |

Goodwill

The carrying amount of goodwill is allocated as follows:

| | At 31 March | |
|---------------------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Allocated by geographical area | | |
| United States | 74 | 65 |
| Allocated by operating segment | | |
| Speciality Food Ingredients | 136 | 137 |
| Bulk Ingredients | 2 | 2 |
| Total | 212 | 204 |

(i) Impairment tests carried out during the year

The Group is principally operated as an integrated network in the United States and Europe, with a large amount of interdependency between plants servicing both the Speciality Food Ingredients and Bulk Ingredients segments. Goodwill is therefore tested for impairment on a geographical basis, except where it can be allocated to a specific CGU.

Notes to the Consolidated Financial Statements continued

19. Goodwill and other intangible assets continued

(i) Impairment tests carried out during the year continued

A description of the impairment tests conducted in relation to the most significant goodwill amounts are set out as follows. In each case, the recoverable amount was calculated based on value in use, with the exception of Brazilian Food Systems business Tate & Lyle Gemacom Tech Indústria e Comércio S.A. ('Gemacom'), Tate & Lyle Boleraz s.r.o and Tate & Lyle Sweden AB ('Biovelop'). Value in use was calculated based on budgets and plans covering the next five years that have been approved by the Board. Cash flows were projected during the five-year period based on budgeted operating profit and management's expectations of market developments. Beyond the five-year plan, cash flows were generally assumed to grow at the long-term growth rate for the relevant geographical markets based on forecasts included in industry reports. Cash flows were discounted using pre-tax rates that are based on the Group's weighted average cost of capital adjusted, where appropriate, to reflect differences between the risk profile of the geographical areas or CGUs concerned and that of the Group as a whole.

Goodwill allocated by geographical area

United States

Goodwill allocated to the US single ingredients operations of £74 million (2016 – £65 million) relates to the Staley acquisition in 1988. The key assumptions in the model are derived from the Group's Annual Operating Plan for 2018 and Board-approved five-year plan, which includes mid-single-digit volume growth in Speciality Food Ingredients and flat volumes in Bulk Ingredients. Operating profit is assumed to increase by low single digits for both Speciality Food Ingredients and Bulk Ingredients, based on management's long-term industry expectations. Based on the risk profile of the assets tested, cash flows were discounted using a pre-tax rate of 8.8% (2016 – 9.6%). Significant headroom exists and management concluded that no impairment is required.

Goodwill allocated by operating segment

Speciality Food Ingredients

Goodwill allocated to the Speciality Food Ingredients segment includes £63 million (2016 – £58 million) that relates to the European Food Systems acquisitions of G.C. Hahn and Company in June 2007 and that of Cesalpinia Foods in December 2005. As these businesses are operationally integrated, they are tested for impairment as one CGU. The key assumptions in the model are derived from the Group's Annual Operating Plan for 2018. Volumes are expected to grow at a mid-single digit compound annual growth rate over the subsequent four years and the model anticipates a recovery to profitability over the five-year timeframe. Cash flows were discounted using a pre-tax rate of 8.8% (2016 – 9.6%). Management concluded that no impairment is required.

During the year ended 31 March 2016, the Group completed the re-alignment of the Eaststarch joint venture whereby the remaining 50% of Amylum Slovakia s.r.o. was purchased (subsequently renamed Tate & Lyle Boleraz s.r.o.). This entity has goodwill of £43 million (2016 – provisionally recorded as £35 million at the acquisition date of 31 October 2015 (see Note 34)). The acquisition business case assumes expansion beyond normal maintenance capital expenditure and the recoverable amount was determined based on fair value less costs of disposal. The fair value was determined based on a discounted cash flow model using a post-tax discount rate and cash inflows and outflows from future expansion. Cash flows from 2018 onwards are expected to grow at a mid-single digit compound annual rate over the subsequent four years. Cash flows were discounted using a post-tax rate of 7.1%. Management concluded that no impairment is required.

Goodwill allocated to the Speciality Food Ingredients segment includes £23 million (pre-impairment) (2016 – £18 million) that relates to Gemacom. The impairment model assumes expansion beyond normal maintenance capital expenditure and the recoverable amount was calculated based on fair value less costs of disposal. The fair value was determined based on a discounted cash flow model using a post-tax discount rate and cash inflows and outflows from future expansion. The model assumes a return to profitability over the first two years with volume and contribution margin growth in low double digits over the five years. Long-term growth rate is assumed to be 5% thereafter, reflecting the long-term growth expectations for this market. Cash flows were discounted using a post-tax rate of 12% (2016 – 14% post-tax). It was concluded that the recoverable amount of this CGU was lower than its carrying value. As a result of this analysis, management has recognised an impairment charge of £16 million which has been recognised within other expenses as an exceptional item. Refer to Note 7 for further details.

Goodwill of £10 million allocated to the Speciality Food Ingredients segment relates to the acquisition of Biovelop, the PromOat® Beta Glucan plant in Sweden, in the 2014 financial year. The key assumptions in the model are derived from the Group's Annual Operating Plan for 2018, and the model assumes significant operating profit growth as the facility expansion is completed. Management concluded that no impairment is required. Cash flows were discounted using a post-tax rate of 7.1% (2016 – 7.8%). However, this calculation resulted in a low level of headroom compared with the carrying value as growth has been below the level in the prior year's model. The amount of headroom was particularly sensitive to the discount rate and volumes sold. Reasonably possible changes in these assumptions, being changes in excess of an increase in the discount rate of 30bps, and a reduction in volumes sold of 200bps could lead to an impairment.

There are no other individually material elements of goodwill allocated to either the Speciality Food Ingredients or Bulk Ingredients operating segments.

(ii) Possibility of impairment in the near future

Management considers that, with the exception of Biovelop, there is no reasonably possible change in one or more of the key assumptions used in the impairment tests for goodwill and other intangible assets that would give rise to an impairment loss during the coming year.

20. Property, plant and equipment

| | Note | Land and buildings £m | Plant and machinery £m | Assets in the course of construction £m | Total £m |
|---|------|--------------------------|---------------------------|--|--------------|
| Cost | | | | | |
| At 1 April 2016 | | 485 | 2 142 | 222 | 2 849 |
| Additions at cost | | 1 | 5 | 122 | 128 |
| Transfers on completion | | 43 | 199 | (242) | - |
| Disposals and write-offs ¹ | | (30) | (249) | (25) | (304) |
| Currency translation differences | | 70 | 336 | - | 406 |
| At 31 March 2017 | | 569 | 2 433 | 77 | 3 079 |
| Accumulated depreciation and impairment | | | | | |
| At 1 April 2016 | | 265 | 1 633 | 25 | 1 923 |
| Depreciation charge | | 14 | 95 | - | 109 |
| Impairment charge | | 3 | 4 | - | 7 |
| Disposals and write-offs ¹ | | (30) | (247) | (25) | (302) |
| Currency translation differences | | 37 | 244 | - | 281 |
| At 31 March 2017 | | 289 | 1 729 | - | 2 018 |
| Net book value at 31 March 2017 | | 280 | 704 | 77 | 1 061 |
| Including assets held under finance leases | | - | 10 | - | 10 |
| Cost | | | | | |
| At 1 April 2015 | | 442 | 1 977 | 124 | 2 543 |
| Additions at cost | | - | 10 | 165 | 175 |
| Subsidiaries acquired | 34 | 14 | 30 | 3 | 47 |
| Transfers on completion | | 16 | 54 | (70) | - |
| Disposals and write-offs | | - | (3) | - | (3) |
| Transfers to assets held for sale | | (2) | (11) | - | (13) |
| Currency translation differences | | 15 | 85 | - | 100 |
| At 31 March 2016 | | 485 | 2 142 | 222 | 2 849 |
| Accumulated depreciation and impairment | | | | | |
| At 1 April 2015 | | 245 | 1 523 | 25 | 1 793 |
| Depreciation charge | | 11 | 69 | - | 80 |
| Impairment charge ² | | 1 | - | - | 1 |
| Reversal of impairment losses | | - | (9) | - | (9) |
| Disposals and write-offs | | - | (1) | - | (1) |
| Transfers to assets held for sale | | (1) | (7) | - | (8) |
| Currency translation differences | | 9 | 58 | - | 67 |
| At 31 March 2016 | | 265 | 1 633 | 25 | 1 923 |
| Net book value at 31 March 2016 | | 220 | 509 | 197 | 926 |
| Including assets held under finance leases | | - | 9 | - | 9 |

¹ In the year ended 31 March 2017, the formerly impaired assets at the Singapore plant were decommissioned and removed from the fixed asset register.

² Excludes impairment charge in relation to assets held for sale (see Note 8).

Impairment reviews

During the year, the Group recognised an impairment charge of £6 million in respect of the impairment of certain redundant assets at the Decatur facility in the US (see Note 7). As part of the impairment and deconsolidation of the Group's equity interest in Jiangsu Tate & Lyle Howbetter Food Co., Ltd, the Group recognised a £1 million charge (see Note 7). Management conducted impairment reviews of other property, plant and equipment during the year and concluded that there were no other impairments.

In the year ended 31 March 2016, the Group recognised an impairment charge of £1 million related to assets in the European Food Systems business.

Notes to the Consolidated Financial Statements continued

21. Equity accounted investments

The amounts recognised in the Group consolidated income statement are as follows:

| | Note | Year ended 31 March | |
|--|------|---------------------|------------|
| | | 2017 £m | 2016 £m |
| Associates – continuing operations | | – | – |
| Joint ventures – continuing operations | | 32 | 28 |
| Joint ventures – discontinued operations | 8 | – | 2 |
| Total operations | | 32 | 30 |

The amounts recognised in the Group consolidated statement of financial position are as follows:

| | At 31 March | |
|----------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Associates | 4 | 3 |
| Joint ventures | 92 | 82 |

Associates

The Group's only associate, which is accounted for under the equity method, is Tapioca Development Corporation (see Note 38). The associate has share capital consisting solely of ordinary shares, which are held directly by the Group, and the country of incorporation or registration is also its principal place of business. Tapioca Development Corporation is a private company and there is no quoted market price available for its shares.

In the opinion of the Directors, this associate is not considered to be material to the Group and there are no contingent liabilities relating to the Group's interest in the associate.

The investment in the associate as at 31 March 2017 was £4 million (2016 – £3 million). The Group recognised £nil net profit (2016 – £nil) in its consolidated income statement. During the year ended 31 March 2017, the Group received £nil dividend (2016 – £1 million) from its associate.

Joint ventures

In the opinion of the Directors, the Group's material joint ventures, which are accounted for under the equity method, are Almidones Mexicanos SA (Almex) and DuPont Tate & Lyle Bio Products Company, LLC (Bio-PDO) (see Note 38). The joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group (and its joint venture partners) and are private companies. No quoted market price is available for their shares. There are no contingent liabilities relating to the Group's interest in the joint ventures.

On 31 October 2015, the Group disposed of its investment in Eaststarch C.V. As a result, the Group no longer has any guarantees in respect of banking facilities of Eaststarch. The Group received pre-disposal dividends from Eaststarch joint venture totalling €94 million (£68 million).

The movements in the carrying value of the Group's investment in joint ventures are summarised as follows:

| | Note | £m |
|--|------|-----------|
| Investments in joint ventures | | |
| At 1 April 2016 | | 82 |
| Share of profit after tax of joint ventures – total operations | | 32 |
| Other comprehensive income (including exchange) | 23 | 7 |
| Dividends paid | | (29) |
| At 31 March 2017 | | 92 |
| | Note | £m |
| At 1 April 2015 | | 323 |
| Share of profit after tax of joint ventures – total operations | | 30 |
| Disposal (including goodwill) | | (177) |
| Other comprehensive expense (including exchange) | 23 | (12) |
| Dividends | | (82) |
| At 31 March 2016 | | 82 |

21. Equity accounted investments continued

Set out below is the summarised financial information for each material joint venture accounted for using the equity method.

The information reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures to make it consistent with the Group's accounting policies.

Income Statement

| | Year ended 31 March 2017 | | | |
|---|--------------------------|---------------|-------------|-------------|
| | Almex £m | Bio-PDO £m | Other £m | Total £m |
| Sales | 618 | 90 | – | 708 |
| Depreciation and amortisation | (2) | (7) | – | (9) |
| Other expense | (546) | (65) | – | (611) |
| Profit before tax | 70 | 18 | – | 88 |
| Income tax expense | (20) | (4) | – | (24) |
| Profit for the year from total operations | 50 | 14 | – | 64 |
| Other comprehensive income | 5 | 10 | (1) | 14 |
| Total comprehensive income | 55 | 24 | (1) | 78 |
| Dividends | (33) | (24) | – | (57) |

Income Statement

| | Year ended 31 March 2016 | | | | |
|---|--------------------------|-------------|---------------|-------------|-------------|
| | Eaststarch* £m | Almex £m | Bio-PDO £m | Other £m | Total £m |
| Sales | 160 | 490 | 65 | – | 715 |
| Depreciation and amortisation | (3) | (2) | (6) | – | (11) |
| Finance income | 1 | – | – | – | 1 |
| Other expense | (147) | (426) | (50) | – | (623) |
| Profit before tax | 11 | 62 | 9 | – | 82 |
| Income tax expense | (2) | (19) | (1) | – | (22) |
| Profit for the year from total operations | 9 | 43 | 8 | – | 60 |
| Other comprehensive (expense)/income | (17) | (9) | 2 | – | (24) |
| Total comprehensive (expense)/income | (8) | 34 | 10 | – | 36 |
| Dividends | (136) | (17) | (11) | – | (164) |

* Eaststarch comprises the results of Amylum Slovakia from 1 April 2015 until it became a subsidiary on 31 October 2015 and the results of the disposal group from 1 April 2015 until it became held for sale on 21 April 2015. The profit on disposal is included as an exceptional item (see Note 7). For further details see Note 34.

Statement of Financial Position

| | At 31 March 2017 | | | |
|-------------------------------|------------------|---------------|-------------|-------------|
| | Almex £m | Bio-PDO £m | Other £m | Total £m |
| Assets | | | | |
| Non-current assets | 45 | 53 | 1 | 99 |
| Cash and cash equivalents | 7 | 10 | – | 17 |
| Other current assets | 155 | 14 | – | 169 |
| | 207 | 77 | 1 | 285 |
| Liabilities | | | | |
| Other non-current liabilities | 4 | – | – | 4 |
| Current borrowings | 22 | – | – | 22 |
| Other current liabilities | 62 | 13 | – | 75 |
| | 88 | 13 | – | 101 |
| Net assets | 119 | 64 | 1 | 184 |

Notes to the Consolidated Financial Statements continued

21. Equity accounted investments continued

Statement of Financial Position

| | At 31 March 2016 | | | |
|-------------------------------|------------------|---------------|-------------|-------------|
| | Almex £m | Bio-PDO £m | Other £m | Total £m |
| Assets | | | | |
| Non-current assets | 37 | 51 | 1 | 89 |
| Cash and cash equivalents | 4 | 10 | – | 14 |
| Other current assets | 163 | 13 | 1 | 177 |
| | 204 | 74 | 2 | 280 |
| Liabilities | | | | |
| Other non-current liabilities | 6 | – | – | 6 |
| Current borrowings | 38 | – | – | 38 |
| Other current liabilities | 63 | 10 | – | 73 |
| | 107 | 10 | – | 117 |
| Net assets | 97 | 64 | 2 | 163 |

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures:

Reconciliation of summarised financial information

| | Almex £m | Bio-PDO £m | Other £m | Total £m |
|---|-------------|---------------|-------------|-------------|
| Opening net assets at 1 April 2016 | 97 | 64 | 2 | 163 |
| Profit for the year from total operations | 50 | 14 | – | 64 |
| Other comprehensive income/(expense) | 5 | 10 | (1) | 14 |
| Dividends | (33) | (24) | – | (57) |
| Closing net assets at 31 March 2017 | 119 | 64 | 1 | 184 |
| Interest in joint venture (%) | 50% | 50% | 50% | |
| Interest in joint venture at share | 59 | 32 | 1 | 92 |
| Carrying value at 31 March 2017 | 59 | 32 | 1 | 92 |

Reconciliation of summarised financial information

| | Eaststarch £m | Almex £m | Bio-PDO £m | Other £m | Total £m |
|---|------------------|-------------|---------------|-------------|-------------|
| Opening net assets at 1 April 2015 | 334 | 80 | 65 | 2 | 481 |
| Profit for the year from total operations | 9 | 43 | 8 | – | 60 |
| Disposal | (190) | – | – | – | (190) |
| Other comprehensive (expense)/income | (17) | (9) | 2 | – | (24) |
| Dividends | (136) | (17) | (11) | – | (164) |
| Closing net assets at 31 March 2016 | – | 97 | 64 | 2 | 163 |
| Interest in joint venture (%) | 50% | 50% | 50% | 50% | |
| Interest in joint venture at share | – | 49 | 32 | 1 | 82 |
| Goodwill at 1 April 2015 | 82 | – | – | – | 82 |
| Goodwill disposed | (82) | – | – | – | (82) |
| Goodwill at 31 March 2016 | – | – | – | – | – |
| Carrying value at 31 March 2016 | – | 49 | 32 | 1 | 82 |

22. Share capital and share premium

| | Ordinary share capital £m | Share premium £m | Total £m |
|---|------------------------------|---------------------|-------------|
| At 31 March 2017 and 31 March 2016 | 117 | 406 | 523 |

Ordinary shares carry the right to participate in dividends and each share entitles the holder to one vote on matters requiring shareholder approval.

Allotted, called up and fully paid equity share capital

| | 2017 | | 2016 | |
|-------------------------------------|--------------------|------------|--------------------|------------|
| | Number of shares* | Cost £m | Number of shares* | Cost £m |
| At 1 April | 468 235 944 | 117 | 468 223 975 | 117 |
| Allotted under share option schemes | 20 922 | – | 11 969 | – |
| At 31 March | 468 256 866 | 117 | 468 235 944 | 117 |

* The nominal value of each share is 25 pence.

Own shares

Own shares represent the Company's ordinary shares that are acquired to meet the Group's expected obligations under share-based incentive arrangements (see Note 31). Own shares are held either by the Company in treasury or by an Employee Benefit Trust (EBT) that was established by the Company.

Movements in own shares held were as follows:

| | 2017 | | 2016 | |
|---------------------------|------------------|------------|------------------|------------|
| | Number of shares | Cost £m | Number of shares | Cost £m |
| At 1 April | 4 161 942 | 28 | 5 018 632 | 37 |
| Purchased in the market: | | | | |
| – into treasury | 2 000 000 | 14 | – | – |
| – into the EBT | 541 110 | 4 | 1 151 484 | 7 |
| Transferred to EBT* | 15 572 | – | – | – |
| Transferred to employees: | | | | |
| – from treasury | (230 619) | (2) | (325 950) | (2) |
| – from the EBT | (958 408) | (7) | (1 682 224) | (14) |
| At 31 March | 5 529 597 | 37 | 4 161 942 | 28 |

* Shares held for the benefit of untraceable shareholders and bearer warrant holders transferred to the trust at nil cost.

| | At 31 March 2017 | | | At 31 March 2016 | | |
|------------------------|------------------|--------------------|-----------------------------------|------------------|--------------------|-----------------------------------|
| | Number of shares | Market value £m | % of outstanding share capital | Number of shares | Market value £m | % of outstanding share capital |
| Treasury shares | 3 572 853 | 27 | 0.8 | 1 803 472 | 10 | 0.4 |
| Shares held in the EBT | 1 956 744 | 15 | 0.4 | 2 358 470 | 14 | 0.5 |
| Total | 5 529 597 | 42 | 1.2 | 4 161 942 | 24 | 0.9 |

Notes to the Consolidated Financial Statements continued

23. Other reserves

| | Hedging reserve £m | Currency translation reserve £m | Other reserves £m | Total £m |
|--|-----------------------|---------------------------------------|----------------------|-------------|
| At 1 April 2015 | (4) | (34) | 99 | 61 |
| Other comprehensive income/(expense): | | | | |
| Cash flow hedges: | | | | |
| - reclassified and reported in the income statement in the year | 2 | - | - | 2 |
| Currency translation differences: | | | | |
| - gain on currency translation of foreign operations | - | 60 | - | 60 |
| - fair value loss on net investment hedges | - | (18) | - | (18) |
| Share of other comprehensive expense of joint ventures | - | (12) | - | (12) |
| Items transferred to income on disposal of joint ventures | - | 34 | - | 34 |
| At 31 March 2016 | (2) | 30 | 99 | 127 |
| Other comprehensive income/(expense): | | | | |
| Cash flow hedges: | | | | |
| - fair value gain in the year | 1 | - | - | 1 |
| - reclassified and reported in the income statement in the year | 4 | - | - | 4 |
| - tax effect of the above movements | - | - | - | - |
| Available-for-sale financial assets: | | | | |
| - reclassified and reported in the income statement in the year | - | - | (1) | (1) |
| Currency translation differences: | | | | |
| - gain on currency translation of foreign operations | - | 185 | - | 185 |
| - fair value loss on net investment hedges | - | (69) | - | (69) |
| Share of other comprehensive income of joint ventures | - | 7 | - | 7 |
| Items transferred to income statement on disposal of subsidiary | - | (1) | - | (1) |
| At 31 March 2017 | 3 | 152 | 98 | 253 |

24. Trade and other payables

| | At 31 March | |
|------------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Current payables | | |
| Trade payables | 185 | 218 |
| Social security | 6 | 5 |
| Accruals and deferred income | 107 | 98 |
| Other payables | 17 | 16 |
| Total | 315 | 337 |

The above amounts do not include non-current other payables of £10 million (2016 – £13 million).

The carrying amount of trade and other payables was denominated in the following currencies:

| | At 31 March |
|--------------|-------------|
| | 2017 £m |
| US dollar | 242 |
| Euro | 22 |
| Sterling | 32 |
| Other | 29 |
| Total | 325 |

25. Borrowings

Non-current borrowings

| | At 31 March | |
|--|-------------|------------|
| | 2017 £m | 2016 £m |
| 2,394,000 6.5% cumulative preference shares of £1 each | 2 | 2 |
| Industrial Revenue Bonds 2023–2036 (US\$70,100,000) | 56 | 49 |
| US Private Placement 2023-2027 (US\$400,000,000) | 319 | 277 |
| 6.75% Guaranteed Notes 2019 (£200,000,000) | 212 | 215 |
| Total | 589 | 543 |
| Other bank loans | 1 | 2 |
| Total | 1 | 2 |
| Other borrowings | | |
| Obligations under finance leases | 14 | 11 |
| Total | 14 | 11 |
| Total non-current borrowings | 604 | 556 |

Current borrowings

| | At 31 March | |
|--|-------------|------------|
| | 2017 £m | 2016 £m |
| US commercial paper | 70 | – |
| 6.625% Guaranteed Notes 2016 (US\$250,000,000) | – | 175 |
| Industrial Revenue Bond 2016 (US\$7,555,000 ¹) | – | 5 |
| Short-term loans | 16 | 14 |
| Unsecured bank overdrafts | 1 | 5 |
| Total | 87 | 199 |
| Other borrowings | | |
| Obligations under finance leases | 1 | 1 |
| Total current borrowings | 88 | 200 |

Included within borrowings are £150 million (2016 – £206 million) of borrowings subject to fair value hedges, the amortised cost of which has been increased by £13 million (2016 – £17 million) in the tables above.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. There are no other securities on borrowings.

Taking into account the Group's interest rate and cross currency swap contracts, the effective interest rates of its borrowings are as follows:

| | Year ended 31 March | |
|---|---------------------|------|
| | 2017 | 2016 |
| \$25m 3.83% US Private Placement Notes 2023 | 3.8% | 3.8% |
| \$180m 4.06% US Private Placement Notes 2025 | 4.1% | 4.1% |
| \$100m 4.16% US Private Placement Notes 2027 | 4.2% | 4.2% |
| \$95m US Private Placement FRN ² 2023 | 2.4% | 2.0% |
| 2,394,000 6.5% cumulative preference shares of £1 each | 6.5% | 6.5% |
| Industrial Revenue Bonds 2023–2036 (US\$70,100,000 ¹) | 0.7% | 0.1% |
| 6.625% Guaranteed Notes 2016 (US\$250,000,000) | – | 4.2% |
| 6.75% Guaranteed Notes 2019 (£200,000,000) | 5.2% | 4.7% |

1 The US\$7,555,000 Industrial Revenue Bond matured in December 2016.

2 Floating rate based on US six-month LIBOR + 1.47%.

Notes to the Consolidated Financial Statements continued

25. Borrowings continued

Short-term loans and overdrafts

Short-term loans mature within the next 12 months and overdrafts are repayable on demand. Both short-term loans and bank overdrafts are arranged at floating rates of interest and expose the Group to cash flow interest rate risk.

Credit facilities and arrangements

Tate & Lyle International Finance PLC holds a US\$800 million five-year committed revolving credit facility with a core of highly rated banks which matures between July 2020 and 2021. At 31 March 2017, the facility has a value of £638 million (2016 – £556 million) and was undrawn. The facility incurs commitment fees at market rates prevailing when the facility was arranged. The lenders have the right, but not the obligation, to cancel their commitments in the event of specified events of default. In addition, the Group has substantial uncommitted facilities.

Finance lease commitments

Amounts payable under finance lease commitments are as follows:

| | 2017 | | At 31 March | |
|--|------------------------------|---|------------------------------|---|
| | Minimum lease payments £m | Present value of minimum lease payments £m | Minimum lease payments £m | Present value of minimum lease payments £m |
| Within one year | 1 | 1 | 1 | 1 |
| Between one and five years | 12 | 10 | 8 | 7 |
| After five years | 5 | 4 | 6 | 4 |
| Total | 18 | 15 | 15 | 12 |
| Less future finance charges | (3) | | (3) | |
| Present value of minimum lease payments | 15 | | 12 | |

26. Change in working capital and other non-cash movements

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Continuing operations | | |
| Decrease/(increase) in inventories | 13 | (8) |
| Decrease in receivables | 35 | 14 |
| (Decrease)/increase in payables | (47) | 1 |
| (Increase)/decrease in derivative financial instruments (excluding debt-related derivatives) | (4) | 13 |
| (Decrease)/increase in provisions for other liabilities and charges | (2) | 4 |
| Change in working capital | (5) | 24 |
| Other non-cash movements | 9 | – |
| Change in working capital and other non-cash movements | 4 | 24 |

27. Net debt

Reconciliation of the (decrease)/increase in cash and cash equivalents to the movement in net debt:

| | Year ended 31 March | |
|--|---------------------|--------------|
| | 2017 £m | 2016 £m |
| Net (decrease)/increase in cash and cash equivalents | (88) | 108 |
| Net decrease in borrowings | 124 | 29 |
| Decrease in net debt resulting from cash flows | 36 | 137 |
| Fair value and other movements | 3 | (1) |
| Currency translation differences | (57) | (15) |
| (Increase)/decrease in net debt in the year | (18) | 121 |
| Net debt at beginning of the year | (434) | (555) |
| Net debt at end of year | (452) | (434) |

Movements in the Group's net debt are as follows:

| | Cash and cash equivalents £m | Borrowings and finance leases | | Debt-related derivatives £m | Total £m |
|--|------------------------------------|-------------------------------|-------------------|-----------------------------------|--------------|
| | | Current £m | Non-current £m | | |
| At 1 April 2015 | 195 | (305) | (463) | 18 | (555) |
| Decrease/(increase) resulting from cash flows | 108 | 282 | (253) | - | 137 |
| Fair value and other movements | - | - | 2 | (3) | (1) |
| Reclassification | - | (169) | 169 | - | - |
| Currency translation differences | 14 | (8) | (11) | (10) | (15) |
| At 31 March 2016 | 317 | (200) | (556) | 5 | (434) |
| (Increase)/decrease resulting from cash flows | (88) | 124 | - | - | 36 |
| Fair value and other movements | - | 4 | 2 | (3) | 3 |
| Reclassification | - | (2) | 2 | - | - |
| Currency translation differences | 32 | (14) | (52) | (23) | (57) |
| At 31 March 2017 | 261 | (88) | (604) | (21) | (452) |

Net debt is denominated in the following currencies:

| | At 31 March | |
|--------------|--------------|--------------|
| | 2017 £m | 2016 £m |
| US dollar | (347) | (442) |
| Euro | (41) | (41) |
| Sterling | (46) | 56 |
| Other | (18) | (7) |
| Total | (452) | (434) |

Notes to the Consolidated Financial Statements continued

28. Derivatives and hedge accounting

| | At 31 March 2017 | | At 31 March 2016 | |
|---|------------------|-------------------|------------------|-------------------|
| | Assets £m | Liabilities £m | Assets £m | Liabilities £m |
| Non-current derivative financial instruments used to manage the Group's net debt profile | | | | |
| Currency swaps | 2 | (37) | 5 | (19) |
| Interest rate swaps | 13 | - | 16 | - |
| | 15 | (37) | 21 | (19) |
| Current derivative financial instruments used to manage the Group's net debt profile | | | | |
| Currency swaps | - | (1) | - | - |
| Interest rate swaps | 2 | - | 3 | - |
| | 2 | (1) | 3 | - |
| Total derivative financial instruments used to manage the Group's net debt profile | 17 | (38) | 24 | (19) |
| Other current derivative financial instruments | | | | |
| Forward foreign exchange contracts | - | - | - | (1) |
| Commodity pricing contracts: | | | | |
| - cash flow hedges | 3 | (1) | - | (3) |
| - held for trading | 26 | (15) | 40 | (18) |
| Total other derivative financial instruments | 29 | (16) | 40 | (22) |
| Total derivative financial instruments | 46 | (54) | 64 | (41) |
| Presented in the statement of financial position as follows: | | | | |
| Non-current derivative financial instruments | 15 | (37) | 21 | (19) |
| Current derivative financial instruments | 31 | (17) | 43 | (22) |
| | 46 | (54) | 64 | (41) |

All hedges are considered to be highly effective. The ineffectiveness recognised in profit or loss in the current and prior periods is not material.

Cash flow hedges

The Group employs forward foreign exchange contracts and commodity pricing contracts to hedge cash flow risk associated with forecast transactions. The notional amounts of the outstanding forward foreign exchange contracts are as follows:

| | At 31 March | |
|--------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| US dollar | 2 | 3 |
| Singapore dollar | - | 1 |
| Brazilian real | - | 1 |
| Euro | 4 | 6 |
| South African rand | (6) | (11) |
| Other | - | (1) |

Gains and losses recognised in the hedging reserve in equity (Note 23) on forward foreign exchange and commodity pricing contracts at 31 March 2017 are expected to be reclassified to the income statement at various future dates.

Fair value hedges

The Group employs interest rate swap contracts to hedge interest rate risks associated with its borrowings. The notional principal amounts of the outstanding interest rate swap contracts applied in fair value hedging relationships as of 31 March 2017 were £150 million (2016 – £206 million).

28. Derivatives and hedge accounting continued

Net investment hedges

The Group employs currency swap contracts to hedge the currency risk associated with its net investments in subsidiaries located primarily in the US and Europe. The notional principal amounts of the outstanding currency swap contracts applied in net investment hedging relationships as of 31 March 2017 were £182 million (2016 – £161 million). Within net investment hedging gains/losses, a fair value loss of £21 million (2016 – £8 million loss) on translation of the currency swap contracts to pounds sterling at the period-end date was recognised in the translation reserve in shareholders' equity (Note 23).

In addition, at 31 March 2017, of the Group's liabilities, a total of £188 million (2016 – £312 million) are designated as hedges of the net investments in foreign operations.

29. Financial instruments – fair value and risk management

Financial instruments by category

Set out below is a comparison by category of carrying values and fair values of all of the Group's financial assets and financial liabilities as at 31 March 2017 and 31 March 2016.

| | | At 31 March 2017 | | | | | |
|--|-------|---------------------------|---|------------------------------------|---|----------------------------|------------------|
| | Notes | Amortised cost/cash £m | Derivatives in a hedging relationship £m | Derivatives held for trading £m | Available-for-sale financial assets £m | Total carrying value £m | Fair value £m |
| Available-for-sale financial assets | 18 | - | - | - | 30 | 30 | 30 |
| Trade and other receivables | 17 | 277 | - | - | - | 277 | 277 |
| Cash and cash equivalents | 16 | 261 | - | - | - | 261 | 261 |
| Derivative financial instruments – assets | 28 | - | 20 | 26 | - | 46 | 46 |
| Borrowings | 25 | (692) | - | - | - | (692) | (712) |
| Derivative financial instruments – liabilities | 28 | - | (39) | (15) | - | (54) | (54) |
| Trade and other payables | 24 | (319) | - | - | - | (319) | (319) |
| Total | | (473) | (19) | 11 | 30 | (451) | (471) |

| | | At 31 March 2016 | | | | | |
|--|-------|---------------------------|---|------------------------------------|---|----------------------------|------------------|
| | Notes | Amortised cost/cash £m | Derivatives in a hedging relationship £m | Derivatives held for trading £m | Available-for-sale financial assets £m | Total carrying value £m | Fair value £m |
| Available-for-sale financial assets | 18 | - | - | - | 23 | 23 | 23 |
| Trade and other receivables | 17 | 285 | - | - | - | 285 | 285 |
| Cash and cash equivalents | 16 | 317 | - | - | - | 317 | 317 |
| Derivative financial instruments – assets | 28 | - | 24 | 40 | - | 64 | 64 |
| Borrowings | 25 | (756) | - | - | - | (756) | (775) |
| Derivative financial instruments – liabilities | 28 | - | (23) | (18) | - | (41) | (41) |
| Trade and other payables | 24 | (345) | - | - | - | (345) | (345) |
| Total | | (499) | 1 | 22 | 23 | (453) | (472) |

Trade and other receivables presented above excludes £15 million (2016 – £17 million) relating to prepayments. Trade and other payables presented above excludes £6 million (2016 – £5 million) relating to social security.

Borrowings with a carrying value of £212 million (2016 – £390 million) relate to listed bonds with a fair value of £229 million (2016 – £409 million) according to quoted market prices and are categorised as Level 1 for fair value measurement. Borrowings with a carrying value of £319 million (2016 – £277 million) relates to US Private Placement Notes with a fair value of £322 million (2016 – £277 million) according to broker dealer quotations and are categorised as Level 3 for fair value measurement. The remaining borrowings have a fair value measured by discounted estimated cash flows with an applicable market quoted yield and are categorised as Level 2 for fair value measurement.

Notes to the Consolidated Financial Statements continued

29. Financial instruments – fair value and risk management continued

Fair value hierarchy

The following tables illustrate the Group's financial assets and liabilities measured at fair value at 31 March 2017 and 31 March 2016 (refer to Note 2 for a description of the three levels of fair value measurement):

| | | At 31 March 2017 | | | |
|-------------------------------------|-------|------------------|---------------|---------------|-------------|
| | Notes | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| Assets at fair value | | | | | |
| Available-for-sale financial assets | 18 | – | – | 30 | 30 |
| Derivative financial instruments: | | | | | |
| – currency swaps | 28 | – | 2 | – | 2 |
| – interest rate swaps | 28 | – | 15 | – | 15 |
| – commodity pricing contracts | 28 | 7 | 1 | 21 | 29 |
| Assets at fair value | | 7 | 18 | 51 | 76 |
| Liabilities at fair value | | | | | |
| Derivative financial instruments: | | | | | |
| – currency swaps | 28 | – | (38) | – | (38) |
| – commodity pricing contracts | 28 | (6) | (7) | (3) | (16) |
| Liabilities at fair value | | (6) | (45) | (3) | (54) |

| | | At 31 March 2016* | | | |
|--|-------|-------------------|---------------|---------------|-------------|
| | Notes | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| Assets at fair value | | | | | |
| Available-for-sale financial assets | 18 | – | – | 23 | 23 |
| Derivative financial instruments: | | | | | |
| – currency swaps | 28 | – | 5 | – | 5 |
| – interest rate swaps | 28 | – | 19 | – | 19 |
| – commodity pricing contracts | 28 | 1 | 1 | 38 | 40 |
| Assets at fair value | | 1 | 25 | 61 | 87 |
| Liabilities at fair value | | | | | |
| Other financial liability (within other payables) | | – | – | (2) | (2) |
| Derivative financial instruments: | | | | | |
| – currency swaps | 28 | – | (19) | – | (19) |
| – forward foreign exchange contracts | 28 | – | (1) | – | (1) |
| – commodity pricing contracts | 28 | (13) | (4) | (4) | (21) |
| Liabilities at fair value | | (13) | (24) | (6) | (43) |

* During the year the Group reviewed and enhanced its methodology for classifying commodity pricing contracts within the fair value hierarchy. Prior year numbers have been restated to reflect presentation using this new methodology.

29. Financial instruments – fair value and risk management continued

Financial instruments measured at fair value

The following table shows the methodology used to measure Level 3 fair values. The table isolates the unobservable inputs; however, the full impact on the Group's income statement is described within the price risk management section.

| Type | Valuation technique | Significant unobservable inputs | Sensitivity of the fair-value measurement in reasonable changes to inputs |
|----------------------------|---|--|---|
| Written commodity contract | Based on the Group's own assessment of the commodity, supply and demand, as well as expected pricing. | 1. Price of co-product positions (refer to fair value measurement section in Note 2). 2. Basis (refer to fair value measurement section in Note 2). | 1. 10% increase/(decrease) in the price of the co-products would result in a net increase/(decrease) in fair value of £nil in respect of Level 3 financial instruments. 2. 10% increase/(decrease) in the cost of basis would result in a net increase/(decrease) in fair value of £2 million in respect of Level 3 financial instruments. |

In addition to the above, the Group's available-for-sale financial assets are sensitive to a number of market and non-market factors.

The following table reconciles the movement in the Group's net financial instruments classified in Level 3 of the fair value hierarchy:

| | Commodity pricing contracts – assets £m | Commodity pricing contracts – liabilities £m | Available-for-sale financial assets £m | Other financial liability £m | Total £m |
|--|--|---|---|---------------------------------|-------------|
| At 1 April 2015 | 37 | (6) | 31 | (2) | 60 |
| Total gains/(losses): | | | | | |
| - in operating profit | 21 | (3) | 6 | - | 24 |
| Purchases | - | - | 4 | - | 4 |
| Settlements | (32) | 6 | (18) | - | (44) |
| Transfers between levels | 12 | (1) | - | - | 11 |
| At 31 March 2016 | 38 | (4) | 23 | (2) | 55 |
| Total gains/(losses): | | | | | |
| - in operating profit | 21 | (3) | - | 3 | 21 |
| - in other comprehensive income | - | - | 3 | (1) | 2 |
| Re-measurement of non-qualified deferred compensation arrangements | - | - | 2 | - | 2 |
| Purchases | - | - | 4 | - | 4 |
| Settlements | (38) | 4 | (2) | - | (36) |
| At 31 March 2017 | 21 | (3) | 30 | - | 48 |

Management of financial risk

The key financial risks faced by the Group are credit risk, liquidity risk and market risks, which include interest rate risk, foreign exchange risk and certain commodity price risks. The Board regularly reviews these risks and approves written policies covering the use of financial instruments to manage these risks and sets overall risk limits. The derivative financial instruments approved by the Board of Tate & Lyle PLC to manage financial risks include swaps, both interest rate and currency, swaptions, caps, forward rate agreements, foreign exchange and commodity forward contracts and options, and commodity futures.

The Chief Financial Officer retains overall responsibility for management of financial risk for the Group. Most of the Group's financing, interest rate and foreign exchange risk are managed through the Group treasury company, Tate & Lyle International Finance PLC, whose operations are directed by its board. Tate & Lyle International Finance PLC arranges funding and manages interest rate, foreign exchange and bank counterparty risks within limits approved by the Board of Tate & Lyle PLC.

Commodity price risks are managed through divisional commodity trading functions in the US and Europe. These functions are controlled by divisional management who are responsible for ratifying general strategy and overseeing performance on a monthly basis. The performance of the commodity trading function is monitored against its ability to match the Group's needs for raw materials with purchase contracts, as well as the Group's output of co-products with sales contracts. Commodity price contracts are categorised as being held either for trading or for hedging price exposures. The Group applies a limited level of hedge accounting to its economic price exposure hedges.

Notes to the Consolidated Financial Statements continued

29. Financial instruments – fair value and risk management continued

Market risks

Foreign exchange management

The Group operates internationally and is exposed to foreign exchange risks arising from commercial transactions (transaction exposure), and from recognised assets, liabilities and investments in foreign operations (translation exposure).

Transaction exposure

The Group's policy requires subsidiaries to hedge transactional currency exposures against their functional currency once the transaction is committed or highly probable, mainly through the use of forward foreign exchange contracts, although exceptions can be approved by the Chief Financial Officer. The amounts deferred in equity from derivative financial instruments designated as cash flow hedges are released to the income statement or statement of financial position and offset against the movement in underlying transactions only when the forecast transactions affect the income statement or statement of financial position respectively.

Translation exposure

The Group manages the foreign exchange exposure to net investments in overseas operations, particularly in the US and Europe, by borrowing principally in US dollars, which provide a partial match for the Group's major foreign currency assets. The Group also manages some of its foreign exchange exposure to net investments in foreign operations through the use of currency swap contracts and other liabilities. The amount deferred in equity from the hedging instruments designated as net investment hedges is offset against the foreign currency translation effect of the net investment in foreign operations, and is released to the income statement upon disposal of those investments.

The following table illustrates only the Group's sensitivity to the fluctuation of the Group's major currencies against sterling on its income statement and other components of equity, assuming that each exchange rate moves in isolation. The equity impact for foreign exchange sensitivity relates to derivative and non-derivative financial instruments hedging the Group's net investments in its European and US operations.

| | At 31 March 2017 | | At 31 March 2016 | |
|-------------------------------|----------------------------|------------------|----------------------------|------------------|
| | Income statement +/- £m | Equity +/- £m | Income statement +/- £m | Equity +/- £m |
| Sterling/US dollar 10% change | - | 31 | 1 | 42 |
| Sterling/euro 10% change | 1 | 5 | - | 5 |

Interest rate management

The Group has an exposure to interest rate risk, arising principally from changes in US dollar, sterling and euro interest rates. This risk is managed by fixing or capping portions of debt using interest rate derivatives to achieve a target level of fixed/floating rate net debt, which aims to optimise net finance expense and reduce volatility in reported earnings. The Group's policy is that between 30% and 75% of Group net debt is fixed for more than one year and that no interest rates are fixed for more than 12 years. At 31 March 2017, the longest term of any fixed rate debt held by the Group was until October 2027 (2016 – October 2027). The proportion of net debt managed by the Group's treasury function at 31 March 2017 that was fixed or capped for more than one year was 65% (2016 – 60%).

The Group considers a 100 basis point change in interest rates a reasonably possible change except where rates are less than 100 basis points. In these instances it is assumed that the interest rates increase by 100 basis points and decrease to zero for the purpose of performing the sensitivity analysis. The impact is calculated with reference to the gross debt and cash held as at 31 March 2017 assuming that other variables remain unchanged.

As at 31 March 2017, if interest rates increased by 100 basis points, Group profit before tax would decrease by £2 million (2016 – £1 million). If interest rates decreased by 100 basis points, or less where applicable, Group profit before tax would increase by £1 million (2016 – £1 million increase).

Price risk management

The Group participates mainly in four markets: food and beverage; industrial ingredients; pharmaceutical and personal care; and animal feed. Food and beverage and industrial ingredients are the most significant. All ingredients are produced from renewable crops, predominantly corn.

The Group is exposed to movements in the future prices of commodities in those domestic and international markets where the Group buys and sells corn (and related co-products) and energy for production. Commodity futures, forwards and options are used where available to hedge inventories and the costs of raw materials for unpriced and prospective contracts not covered by forward product sales. Some of the contracts are used to hedge co-product pricing, for which there is no active market. The pricing is established by the Group, based on a number of inputs, as discussed on pages 112 to 113. Due to the seasonality of corn production, at certain points in time throughout the year, the exposure to commodity pricing contracts may be higher.

As at 31 March 2017, a 50% increase/decrease in the price of corn will result in a decrease/increase to the income statement of £3 million (2016 – £nil) and related decrease/increase in other components of equity of £nil (2016 – £1 million).

29. Financial instruments – fair value and risk management continued

Credit risk management

Counterparty credit risk arises from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions, as well as credit exposures inherent within the Group's outstanding receivables.

The Group manages credit risk by entering into financial instrument contracts substantially with investment grade counterparties approved by the Board.

The Board has approved maximum counterparty exposure limits for specified banks and financial institutions based on the long-term credit ratings of Standard & Poor's and Moody's. Trading limits assigned to commercial customers are based on ratings from Dun & Bradstreet and Credit Risk Monitor. In cases where published financial ratings are not available or inconclusive, credit application, reference checking, and obtaining of customers' financial information such as liquidity and turnover ratio, are required to evaluate customers' credit worthiness.

Analysis of maximum credit exposure

Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and there are no significant concentrations of credit risks.

The Group's trade receivables are short term in nature and largely comprise amounts receivable from business customers. Concentrations of credit risk with respect to trade receivables are limited, with our customer base including large, unrelated and internationally dispersed customers.

The Group considers its maximum exposure to credit risk at the year-end date is the carrying value of each class of financial assets as disclosed under financial instruments by category on page 155.

Analysis of amounts set-off

The Group does not offset financial assets and liabilities in its statement of financial position as the Group has no intention to net settle, except as described below.

Derivative assets and liabilities of £17 million (2016 – £19 million) could be offset under an enforceable master netting agreement. Amounts which do not meet the criteria for offsetting in the statement of financial position but could be settled net in certain circumstances principally relate to derivative transactions under International Swaps and Derivatives Association (ISDA) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

Liquidity risk management

The Group manages its exposure to liquidity risk and ensures maximum flexibility in meeting changing business needs by maintaining access to a wide range of funding sources, including capital markets and bank borrowings. Capital market issues outstanding at 31 March 2017 are listed in Note 25.

At the year end, the Group held cash and cash equivalents of £261 million (2016 – £317 million) and had committed undrawn facilities of £638 million (2016 – £556 million). These resources are maintained to provide liquidity back-up and to meet the projected maximum cash outflow from debt repayment, capital expenditure and seasonal working capital needs foreseen for at least a year into the future at any one time.

The Group has a core committed bank facility of US\$800 million, of which US\$80 million matures in 2020 and US\$720 million in 2021. This facility is unsecured and contains financial covenants for the Group that the interest cover ratio should not be less than 2.5 times and the multiple of net debt to EBITDA, as defined in our financial covenants, should not be greater than 3.5 times. Refer to Note 4 for the calculation of these measures for financial covenant purposes. The Group monitors compliance against all its financial obligations and it is Group policy to manage the consolidated statement of financial position so as to operate well within these covenanted restrictions. In both the current and comparative reporting periods, the Group complied with its financial covenants at all measurement points. The majority of the Group's borrowings are raised through the Group treasury company, Tate & Lyle International Finance PLC, and are then on-lent to the business units on an arm's length basis.

Current Group policy is to ensure that, after taking into account the total of undrawn committed facilities, no more than 10% of gross debt matures within 12 months and at least 35% matures beyond 2.5 years. At 31 March 2017, after taking account of undrawn committed facilities, the Group was compliant with the policy. The average maturity of the Group's gross debt was 6.2 years (2016 – 6.6 years), taking account of undrawn committed facilities.

Notes to the Consolidated Financial Statements continued

29. Financial instruments – fair value and risk management continued

The table below analyses the undiscounted cash flows related to the Group's non-derivative financial liabilities and derivative assets and liabilities.

| Liquidity analysis | At 31 March 2017 | | |
|-------------------------------------|------------------|-------------------|-----------------|
| | < 1 year £m | 1 – 5 years £m | > 5 years £m |
| Borrowings including finance leases | (79) | (212) | (383) |
| Interest on borrowings | (26) | (79) | (54) |
| Trade and other payables | (315) | (10) | – |
| Derivative contracts: | | | |
| – receipts | 107 | 179 | – |
| – payments | (105) | (206) | – |
| Commodity pricing contracts | 3 | (1) | – |

| Liquidity analysis | At 31 March 2016 | | |
|-------------------------------------|------------------|-------------------|-----------------|
| | < 1 year £m | 1 – 5 years £m | > 5 years £m |
| Borrowings including finance leases | (200) | (208) | (334) |
| Interest on borrowings | (29) | (82) | (55) |
| Trade and other payables | (337) | (13) | – |
| Derivative contracts: | | | |
| – receipts | 77 | 197 | – |
| – payments | (71) | (198) | – |
| Commodity pricing contracts | (15) | (1) | – |

Included in borrowings are £2,394,000 of 6.5% cumulative preference shares. Only one year's worth of interest payable on these shares is included in the less than one year category.

Derivative contracts include currency swaps, forward exchange contracts and interest rate swaps. Commodity pricing contracts included above represent options and futures.

Financial assets and liabilities denominated in currencies other than pounds sterling are translated to pounds sterling using year-end exchange rates.

Capital risk management

The Group's primary objectives in managing its capital are to safeguard the business as a going concern; to maintain the dividend policy; to maintain sufficient financial flexibility to undertake its investment plans; and to retain an investment grade credit rating which enables access to debt capital markets. The Group's financial profile and level of financial risk is assessed on a regular basis in the light of changes to the economic conditions, business environment, the Group's business profile and the risk characteristics of its businesses.

Tate & Lyle has contractual relationships with Moody's and Standard & Poor's (S&P) for the provision of credit ratings. At 31 March 2017, the long-term credit rating from Moody's was Baa2 (stable outlook) and from S&P was BBB (stable outlook).

The Group regards its total capital as follows:

| | Note | At 31 March | |
|--|------|--------------|------------|
| | | 2017 £m | 2016 £m |
| Net debt | 27 | 452 | 434 |
| Equity attributable to owners of the Company | | 1 332 | 1 028 |
| Total capital | | 1 784 | 1 462 |

The Board has set two ongoing key performance indicators (KPIs) to measure the Group's financial strength. The target levels for these financial KPIs are that the ratio of net debt/EBITDA should not exceed two times and interest cover should exceed five times. These ratios are calculated on the same basis as the external financial covenants noted above. The ratios for these KPIs for the financial years ended 31 March 2017 and 31 March 2016 were:

| | Note | 2017 Times | 2016 Times |
|-----------------|------|---------------|---------------|
| Net debt/EBITDA | 4 | 0.9 | 1.2 |
| Interest cover | 4 | 13.9 | 10.7 |

30. Retirement benefit obligations

a) Plan information

(i) Pensions

The Group operates a number of defined benefit pension plans, principally in the UK and the US. Generally, the pension benefits provided under these plans are determined based on the pensionable salary and period of pensionable service of the individual members. Most of the plans are funded and the plan assets held separately from those of the Group in funds that are under the control of trustees. The extent of the powers of the trustees, in particular in respect of funding and investment strategy, varies and is dependent on local regulations and the rules of each plan.

Payments made by the Group to the plans principally comprise funding contributions agreed with the trustees that are determined in accordance with local regulations to ensure that appropriate funding levels are maintained and funding deficits are eliminated over a reasonable period of time. All of the significant defined benefit pension plans operated by the Group are closed to new entrants and to future accrual.

The Group operates defined contribution pension plans in a number of countries. Contributions payable by the Group to these plans during the year amounted to £7 million (2016 – £4 million).

(ii) Other benefits

The Group's subsidiaries in the US provide unfunded retirement medical plans to the majority of their employees. Such plans provide financial assistance in meeting various costs including medical, dental and prescription drugs. Employees are required to contribute to the cost of benefits received under the plans. The Group meets the remaining costs of providing these benefits in the period in which they are incurred.

b) Movement in net defined benefit (liability)/asset

(i) Analysis of net defined benefit liability

| | At 31 March 2017 | | | At 31 March 2016 | | |
|--|------------------|---------------------------|-------------|------------------|---------------------------|-------------|
| | Pensions £m | Medical benefits £m | Total £m | Pensions £m | Medical benefits £m | Total £m |
| Benefit obligations: | | | | | | |
| Funded plans | (1 630) | – | (1 630) | (1 513) | – | (1 513) |
| Unfunded plans | (63) | (76) | (139) | (55) | (66) | (121) |
| | (1 693) | (76) | (1 769) | (1 568) | (66) | (1 634) |
| Fair value of plan assets | 1 630 | – | 1 630 | 1 426 | – | 1 426 |
| Net deficit | (63) | (76) | (139) | (142) | (66) | (208) |
| Presented in the statement of financial position as: | | | | | | |
| Retirement benefit surplus | 120 | – | 120 | 45 | – | 45 |
| Retirement benefit deficit | (183) | (76) | (259) | (187) | (66) | (253) |
| | (63) | (76) | (139) | (142) | (66) | (208) |

Net defined benefit liability reconciliation:

| | Pensions £m | Medical benefits £m | Total £m |
|---|----------------|---------------------------|--------------|
| At 1 April 2015 | (158) | (69) | (227) |
| Year ended 31 March 2016 | | | |
| – net decrease in the benefit obligation | 124 | 3 | 127 |
| – net decrease in the fair value of plan assets | (108) | – | (108) |
| At 31 March 2016 | (142) | (66) | (208) |
| Year ended 31 March 2017 | | | |
| – net increase in the benefit obligation | (125) | (10) | (135) |
| – net increase in the fair value of plan assets | 204 | – | 204 |
| At 31 March 2017 | (63) | (76) | (139) |

Notes to the Consolidated Financial Statements continued

30. Retirement benefit obligations continued

(iii) Analysis of movements in the benefit obligation

| | Pension benefits | | | | Medical benefits £m | Total £m |
|---|------------------|--------------|-------------|----------------|------------------------|----------------|
| | UK £m | US £m | Other £m | Total £m | | |
| At 1 April 2015 | (1 109) | (568) | (15) | (1 692) | (69) | (1 761) |
| Year ended 31 March 2016 | | | | | | |
| Service cost – current | – | (1) | – | (1) | (1) | (2) |
| Service credit – past | – | – | – | – | 3 | 3 |
| Plan administration costs | (3) | – | – | (3) | – | (3) |
| Interest on benefit obligation | (36) | (20) | – | (56) | (2) | (58) |
| Actuarial gains: | | | | | | |
| – changes in financial assumptions | 21 | – | – | 21 | 1 | 22 |
| – changes in demographic assumptions | – | 7 | – | 7 | 1 | 8 |
| – experience against assumptions | 13 | 2 | – | 15 | – | 15 |
| Net actuarial gain | 34 | 9 | – | 43 | 2 | 45 |
| Benefits paid | 50 | 28 | – | 78 | 4 | 82 |
| Settlement loss (buy-out transaction) | (2) | – | – | (2) | – | (2) |
| Settlements | 81 | – | – | 81 | – | 81 |
| Currency translation differences | – | (16) | – | (16) | (3) | (19) |
| Decrease in the benefit obligation | 124 | – | – | 124 | 3 | 127 |
| At 31 March 2016 | (985) | (568) | (15) | (1 568) | (66) | (1 634) |
| Year ended 31 March 2017 | | | | | | |
| Service cost – current | – | – | (2) | (2) | (1) | (3) |
| Plan administration costs | (3) | – | – | (3) | – | (3) |
| Interest on benefit obligation | (33) | (23) | – | (56) | (2) | (58) |
| Actuarial gains/(losses): | | | | | | |
| – changes in financial assumptions | (177) | 16 | – | (161) | (2) | (163) |
| – changes in demographic assumptions | 53 | 10 | – | 63 | 1 | 64 |
| – experience against assumptions | 12 | (19) | – | (7) | – | (7) |
| Net actuarial (loss)/gain | (112) | 7 | – | (105) | (1) | (106) |
| Benefits paid | 51 | 69 | – | 120 | 4 | 124 |
| Settlement gain (see Note 7) | – | 9 | – | 9 | – | 9 |
| Re-measurement of non-qualified deferred compensation arrangements (see Note 18) | – | – | (2) | (2) | – | (2) |
| Currency translation differences | (2) | (83) | (1) | (86) | (10) | (96) |
| Increase in the benefit obligation | (99) | (21) | (5) | (125) | (10) | (135) |
| At 31 March 2017 | (1 084) | (589) | (20) | (1 693) | (76) | (1 769) |

At 31 March 2017, the benefits expected to be paid by the plans over the next ten years were as follows:

| | Pension benefits | | | | Medical benefits £m | Total £m |
|---|------------------|----------|-------------|-------------|---------------------------|-------------|
| | UK £m | US £m | Other £m | Total £m | | |
| Benefit payments: | | | | | | |
| – within 12 months | 41 | 34 | – | 75 | 5 | 80 |
| – between 1 to 2 years | 42 | 35 | – | 77 | 5 | 82 |
| – between 3 to 5 years | 127 | 108 | – | 235 | 16 | 251 |
| – between 6 to 10 years | 220 | 182 | – | 402 | 26 | 428 |
| Total expected benefit payments for the next ten years | 430 | 359 | – | 789 | 52 | 841 |

30. Retirement benefit obligations continued

In the UK, members can elect to forego a portion of their future pension benefits, in return for a lump sum payment, or a transfer out to other arrangements. These amounts are excluded from future benefit projections.

The pension benefits paid in respect of US plans, in the 2017 financial year were £35 million higher than those projected for the 2018 financial year, due to the settlement made by some deferred members during the year which resulted in the recognition of a £9 million exceptional gain (as detailed in Note 7c).

At 31 March 2017, the weighted average duration of the significant defined benefit obligations was as follows:

| | Duration |
|------------------|----------|
| Pension plans: | |
| - UK | 16 years |
| - US | 11 years |
| Medical benefits | 10 years |

Assumptions

For accounting purposes, the benefit obligation of each plan has been calculated in accordance with IAS 19 based on data gathered for the most recent actuarial valuation and by applying assumptions made by the Group on the advice of independent actuaries.

The principal assumptions used in calculating the benefit obligation were as follows:

| At 31 March 2017 | UK | US |
|-------------------------------------|-----------------|-------------|
| Inflation rate | 2.3/3.3% | 2.5% |
| Expected rate of salary increases | n/a | 3.5% |
| Expected rate of pension increases: | | |
| - deferred pensions | 2.3% | n/a |
| - pensions in payment | 3.1% | n/a |
| Discount rate | 2.4% | 4.0% |

| At 31 March 2016 | UK | US |
|-------------------------------------|----------|------|
| Inflation rate | 2.0/3.0% | 2.5% |
| Expected rate of salary increases | n/a | 3.5% |
| Expected rate of pension increases: | | |
| - deferred pensions | 2.0% | n/a |
| - pensions in payment | 2.8% | n/a |
| Discount rate | 3.4% | 3.8% |

Assumptions regarding future mortality rates of members of the Group's pension plans are based on published statistics and take into account the profile of the plan members. On this basis, the average life expectancies assumed for members of the plans are as follows:

| | At 31 March 2017 | | At 31 March 2016 | |
|----------------------------------|-------------------|-------------------|------------------|------------|
| | UK | US | UK | US |
| Male aged 65 now | 21.6 years | 20.9 years | 22.7 years | 21.2 years |
| Male aged 65 in 20 years' time | 23.7 years | 22.5 years | 26.6 years | 22.9 years |
| Female aged 65 now | 23.8 years | 22.9 years | 23.9 years | 23.2 years |
| Female aged 65 in 20 years' time | 26.1 years | 24.5 years | 27.0 years | 24.9 years |

Shorter longevity assumptions are used for members who retire on grounds of ill health.

Notes to the Consolidated Financial Statements continued

30. Retirement benefit obligations continued

Medical benefits

Principal assumptions used in calculating the benefit obligation are medical cost inflation and the discount rate applied to the expected benefit payments. The Group has assumed medical cost inflation at 8.0% per annum (2016 – 6.0%), grading down to 5% by 2023, and used a discount rate of 3.9% (2016 – 3.6%).

At 31 March 2017, the sensitivity of the net deficit on the plans to changes in the principal assumptions was as follows (assuming in each case that the other assumptions are unchanged):

| | Increase/(decrease) in obligation | | |
|--|-----------------------------------|------------------------|------------------------|
| | Change in assumptions +/- | Increase in assumption | Decrease in assumption |
| Pension plans | | | |
| Inflation rate | 50 bp | 62 | (49) |
| Life expectancy | 1 year | 71 | (71) |
| Discount rate | 100 bp | (220) | 280 |
| Medical benefits | | | |
| Medical cost inflation | 50 bp | 3 | (3) |
| Discount rate | 100 bp | (7) | 8 |
| (iii) Analysis of movements in the plan assets | | | |
| | UK £m | US £m | Total £m |
| At 1 April 2015 | 1 122 | 412 | 1 534 |
| Year ended 31 March 2016 | | | |
| Interest on plan assets | 37 | 15 | 52 |
| Actual return lower than interest on plan assets | (35) | (17) | (52) |
| Employer's contributions (including £2 million related to buy-out transaction) | 25 | 13 | 38 |
| Benefits paid | (50) | (28) | (78) |
| Settlements | (81) | – | (81) |
| Currency translation differences | – | 13 | 13 |
| Decrease in fair value of plan assets | (104) | (4) | (108) |
| At 31 March 2016 | 1 018 | 408 | 1 426 |
| Year ended 31 March 2017 | | | |
| Interest on plan assets | 34 | 17 | 51 |
| Actual return higher than interest on plan assets | 164 | 15 | 179 |
| Employer's contributions | 22 | 16 | 38 |
| Benefits paid | (51) | (69) | (120) |
| Currency translation differences | – | 56 | 56 |
| Increase in fair value of plan assets | 169 | 35 | 204 |
| At 31 March 2017 | 1 187 | 443 | 1 630 |

30. Retirement benefit obligations continued

Analysis of plan assets

| | At 31 March 2017 | | |
|-------------------------------|------------------|------------|--------------|
| | UK £m | US £m | Total £m |
| Equities – quoted | 324 | 110 | 434 |
| Corporate bonds – quoted | 138 | 254 | 392 |
| Government bonds – quoted | 385 | 53 | 438 |
| Other assets – quoted | 62 | – | 62 |
| Property – unquoted | – | 22 | 22 |
| Insurance policies – unquoted | 278 | 4 | 282 |
| | 1 187 | 443 | 1 630 |

| | At 31 March 2016 | | |
|-------------------------------|------------------|------------|--------------|
| | UK £m | US £m | Total £m |
| Equities – quoted | 285 | 101 | 386 |
| Corporate bonds – quoted | 124 | 234 | 358 |
| Government bonds – quoted | 312 | 49 | 361 |
| Other assets – quoted | 31 | – | 31 |
| Property – unquoted | – | 20 | 20 |
| Insurance policies – unquoted | 266 | 4 | 270 |
| | 1 018 | 408 | 1 426 |

The fair value of the insurance policies are deemed to be equivalent to the present value of the related benefit obligation.

The Group also paid an additional £4 million (2016 – £4 million) to the US unfunded retirement medical plans to meet the cost of providing the benefits in the financial year.

Plan assets do not include any direct investments in securities issued by the Group or any property occupied by or other assets used by the Group. Assets are classified as quoted only if they have a quoted market price in an active market as defined by IFRS 13 'Fair Value Measurement'.

All other assets are classified as unquoted.

Where a plan is in surplus, the surplus recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions. The Group considers that it has an unconditional right to the surplus relating to the UK plan as the scheme rules state that any surplus should be returned to the Group in the event that there are no members left in the pension scheme.

c) Mitigation of risk

The defined benefit pension plans expose the Group to actuarial risks such as interest rate, longevity, inflation and investment risk.

The Group encourages the trustees of the plans to adopt an investment policy that seeks to mitigate these risks, which involves investing a significant proportion of the plan assets in liability-driven investment portfolios that mitigate interest rate, inflation and investment risks. The Group seeks to ensure that, as far as practicable, the investment portfolios of the funded plans are invested in long-term fixed interest securities with maturities and in currencies that match the expected future benefit payments as they fall due. In the UK, interest rate derivatives are used to achieve close matching where matching fixed-interest securities are not available in the market. Most of the inflation risk for the Group arises in the UK since deferred pensions and pensions in payment in the US do not attract inflation increases. Inflation risk is mitigated by holding index-linked government bonds and corporate bonds and, in the UK, inflation derivatives. At 31 March 2017, £282 million (2016 – £270 million) of the benefit obligation was matched by qualifying insurance policies that also mitigate longevity risk. The plans also maintain a portfolio of return-seeking investments, principally in the form of equities and property.

d) Funding of the plans

As required by local regulations, actuarial valuations of the US pension plans are carried out each year and those of the UK pension plans are carried out at least every three years. During the year, the actuarial valuation at 31 March 2016 of the Tate & Lyle Group Pension Scheme (Scheme) was concluded with core funding contributions remaining at £12 million per year. The secured funding account established under the previous actuarial valuation will continue to receive supplementary contributions of £6 million per year until March 2023, payable to the trustees on certain triggering events such as under performance of the Scheme's investments or a deterioration in the strength of the Group's financial covenant. The Group will continue to fund the UK plan administration costs.

During the year the Amylum UK Pension Scheme was formally wound up. This followed the final settlement of £2 million in the prior year included in discontinued operations.

During the year ending 31 March 2018, the Group expects to contribute approximately £39 million to its defined benefit pension plans and to pay approximately £5 million in relation to retirement medical benefits.

Notes to the Consolidated Financial Statements continued

31. Share-based payments

The Company operates share-based incentive arrangements for the executive directors, senior executives and other eligible employees under which awards and options are granted over the Company's ordinary shares. All of the arrangements under which awards and options were outstanding during the 2017 and 2016 financial years are classified as equity-settled. During the year, the compensation expense recognised in profit or loss in respect of share-based incentives was £21 million (2016 – £9 million). The following arrangements existed during the period:

a) Performance Share Plan

The Group's principal ongoing share-based incentive arrangement is the Performance Share Plan (PSP). Participation in the PSP is restricted to the executive directors and other senior executives. Awards made under the PSP normally vest provided the participant remains in the Group's employment until the end of the performance period, and subject to the satisfaction of performance conditions.

The conditions applicable to PSP awards made from 1 April 2016 relate to the achievement of the Group adjusted return on capital employed (ROCE) and adjusted profit targets. Up to 50% of each award vests dependent on the Group's adjusted ROCE from continuing operations reaching specified levels at the end of the performance period. Up to 25% of each award vests dependent on the compound annual growth in the Group's adjusted profit before tax with the remaining 25% from compound annual growth of the Speciality Food Ingredients business adjusted operating profit (excluding SPLENDA® Sucralose).

The conditions applicable to PSP awards made prior to 31 March 2016 relate to the achievement of earnings per share (EPS) and return on capital employed (ROCE) targets. Up to 50% of each award vests dependent on the compound annual growth rate of the Group's adjusted diluted EPS from continuing operations reaching specified levels over the performance period. Up to 50% of each award vests dependent on the Group's adjusted ROCE from continuing operations reaching specified levels at the end of the performance period.

The performance period is the period of three financial years beginning with the financial year in which the award is granted.

b) Group Bonus Plan – deferred element

Bonuses earned under the Group Bonus Plan are normally paid in cash up to 100% of the base salary of the participating executive. Any excess above 100% of base salary is paid in the form of deferred shares that are released after two years subject to the executive remaining in the Group's employment. During the vesting period, payments in lieu of dividends are made in relation to the deferred shares.

c) Sharesave Plan

Options are granted from time to time under the Company's Sharesave Plan, which is open to all employees in the UK. It offers eligible employees the option to buy shares in the Company after a period of three or five years funded from the proceeds of a savings contract to which they contribute on a monthly basis. The exercise price reflects a discount to market value of up to 20%.

d) Restricted Share Awards

The Company has made Restricted Share Awards to a number of eligible employees. Awards made normally vest provided the participant remains in the Group's employment during the performance period and other conditions, specific to the individual awards, are met.

e) Conditional Share Award

During the year, the Company has made a Conditional Share Award (CSA) to eligible employees. Up to 50% of each award vests dependent on an adjusted Group profit after tax on continuing operations for the year ended 31 March 2017. Up to 50% of each award vests dependent on the Group's adjusted ROCE from continuing operations as at 31 March 2017. The award vests as soon as practicable after 31 March 2017, however, some employees are subject to an additional retention period ending 31 March 2018. The vesting level of the awards may be reduced in other circumstances specified at award.

Further information for these awards made in relation to executive directors (a, b and c only) are set out in the Directors' Remuneration Report on pages 74 to 97.

Movements in the year

Movements in the awards outstanding during the year were as follows:

| | 2017 | | 2016 | |
|-------------------------|-----------------|---|-----------------|---|
| | Awards (number) | Weighted average exercise price (pence) | Awards (number) | Weighted average exercise price (pence) |
| Outstanding at 1 April | 10 607 961 | 10p | 9 895 482 | 10p |
| Granted | 5 875 352 | 6p | 5 264 964 | 8p |
| Exercised | (1 209 949) | 10p | (2 020 143) | 3p |
| Lapsed | (2 837 872) | 5p | (2 532 342) | 10p |
| Outstanding at 31 March | 12 435 492 | 10p | 10 607 961 | 10p |
| Exercisable at 31 March | 603 939 | 3p | 548 530 | – |

The weighted average market price of the Company's ordinary shares on the dates on which awards were exercised during the year was 684p (2016 – 529p).

31. Share-based payments continued

Awards granted in the year

During the year, PSP awards were granted over 4,177,420 shares (2016 – 3,502,180 shares), no Restricted Share Awards were granted (2016 – 166,367 shares), Conditional Share Awards were granted over 1,474,000 shares (2016 – 1,515,000 shares), the deferred element of Group Bonus Plan awards were granted over 161,503 shares (2016 – nil) and Sharesave options were granted over 62,429 shares (2016 – 81,417 shares). The compensation expense recognised in relation to these awards is based on the fair value of the awards at their respective grant dates. The weighted average fair values of the awards granted during the year and the principal assumptions made in measuring those fair values were as follows:

| | Year ended 31 March 2017 | | | Year ended 31 March 2016 | | |
|--|--------------------------|----------------------|----------------------|--------------------------|---------------|---------------|
| | PSP | Sharesave | CSA | PSP | Sharesave | CSA |
| Fair value at grant date | 662p | 102p | 582p | 540p | 119p | 467p |
| Principal assumptions: | | | | | | |
| Share price on grant date | 722p | 667p | 621p | 591p | 608p | 504p |
| Expected life of the awards | 3 years | 3.3/5.3 years | 0.9/1.9 years | 3 years | 3.3/5.3 years | 0.9/1.9 years |
| Risk-free interest rate | - | 0.37%/0.76% | - | - | 1.01%/1.40% | - |
| Dividend yield on the Company's shares | 3.87% | 4.20% | 4.51% | 4.61% | 4.74% | 5.56% |
| Volatility of the Company's shares | n/a | 25% | n/a | n/a | 25% | n/a |

In addition, deferred shares issued under the Group Bonus Plan during the year have an expected life of 2.0 years with a fair value at the grant date of 614p. No deferred shares were issued under the Group Bonus Plan during the prior year.

The fair value of the awards was measured using the Black-Scholes option pricing formula, taking into account factors such as non-transferability, exercise restrictions and behavioural considerations.

Expected volatility was based on the historical volatility of the market price of the Company's shares over the expected life of the awards.

Awards outstanding at the end of the year

The range of exercise prices and the weighted average remaining contractual life of the awards outstanding at the end of the year were as follows:

| Exercise price | At 31 March 2017 | | At 31 March 2016 | |
|----------------|-------------------|--|------------------|--|
| | Awards (number) | Weighted average contractual life (months) | Awards (number) | Weighted average contractual life (months) |
| Nil | 12 207 008 | 44.9 | 10 396 563 | 45.4 |
| 400p to 799p | 228 484 | 32.1 | 211 398 | 35.3 |
| Total | 12 435 492 | 44.7 | 10 607 961 | 45.2 |

Notes to the Consolidated Financial Statements continued

32. Provisions and contingent liabilities

Provisions

| | Insurance provisions and reserves £m | Restructuring and closure provisions £m | Other provisions £m | Total £m |
|------------------------------|---|--|------------------------|-------------|
| At 1 April 2015 | 7 | 1 | 13 | 21 |
| Year ended 31 March 2016 | | | | |
| Provided in the year | 3 | 13 | 6 | 22 |
| Released in the year | – | – | (1) | (1) |
| Utilised in the year | – | – | (9) | (9) |
| Exchange and other movements | 2 | – | 1 | 3 |
| At 31 March 2016 | 12 | 14 | 10 | 36 |
| Year ended 31 March 2017 | | | | |
| Provided in the year | 1 | 3 | 3 | 7 |
| Released in the year | (1) | (1) | – | (2) |
| Utilised in the year | (5) | (14) | – | (19) |
| Exchange and other movements | 2 | 1 | 2 | 5 |
| At 31 March 2017 | 9 | 3 | 15 | 27 |

At 31 March

| | 2017 £m | 2016 £m |
|--|------------|------------|
| Provisions are expected to be utilised as follows: | | |
| – within one year | 10 | 23 |
| – after more than one year | 17 | 13 |
| Total | 27 | 36 |

Provisions primarily relate to Group legal matters and previously disposed businesses, restructuring and closure provisions relating to restructuring within the Group and insurance funds representing amounts provided by the Group's captive insurance subsidiary in respect of the expected level of insurance claims. All provisions are expected to be utilised within five years.

The difference between the carrying value and the discounted present value was not material in either year.

Contingent liabilities

Passaic River

The Group remains subject to a legal case arising from the notification in 2007 by the U.S. Environmental Protection Agency ('USEPA') that Tate & Lyle, along with approximately 70+ others, is a potentially responsible party ('PRP') for a 17 mile section of the northern New Jersey Passaic River, a major 'Superfund' site. In March 2016, the USEPA issued its Record of Decision ('ROD') on the likely cost for the remediation of the lower eight mile section of the river (the most contaminated). Whilst Tate & Lyle will continue to vigorously defend itself in this matter, in light of the publication of the ROD, the Group took an exceptional charge of £6 million in the year ended 31 March 2016. The Group continues to be unable to estimate a reasonably possible range of loss in respect of the remaining nine mile section of the river and therefore has not recognised a provision in this regard.

Other claims

The Group is subject to claims and litigation generally arising in the ordinary course of its business, some of which are for substantial amounts. All such actions are strenuously defended but provision is made for liabilities that are considered likely to arise on the basis of current information and legal advice. While there is always uncertainty as to the outcome of any claim or litigation, it is not expected that claims and litigation existing at 31 March 2017 will have a material adverse effect on the Group's financial position.

33. Commitments

Capital commitments

| | At 31 March | |
|---|-------------|------------|
| | 2017 £m | 2016 £m |
| Commitments for the purchase of intangible assets | – | 1 |
| Commitments for the purchase of property, plant and equipment | 25 | 47 |
| Total | 25 | 48 |

In addition, commitments in respect of retirement benefit obligations are detailed in Note 30.

Operating lease arrangements

Operating lease payments represent rentals payable by the Group for certain of its land, buildings, plant and equipment. Certain operating lease agreements allow for renewal at the end of the original term at the option of the Group.

At the year-end date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

| | At 31 March | |
|---------------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Within one year | 34 | 28 |
| Between one year and five years | 116 | 106 |
| After five years | 168 | 169 |
| Total | 318 | 303 |

34. Acquisitions and disposals

Completion of Moroccan disposal

On 1 June 2016, the Group completed the sale of its corn wet mill in Casablanca, Morocco to ADM, receiving gross cash proceeds of £4 million, £3 million net after cash disposed. The investment had previously been classified as held for sale at 31 March 2016. The Group recognised an operating exceptional impairment charge of £4 million in the year ended 31 March 2016, aligning book value with expected proceeds after allowing for working capital and cash extracted from the business before completion. In the current financial year, the Group recognised a £1 million exceptional gain resulting from the recycling of cumulative foreign exchange translation gains from reserves to the income statement upon disposal of the subsidiary.

During the year ended 31 March 2016, the Group recognised an exceptional tax charge of £5 million within discontinued operations in respect of historical tax matters in Morocco.

Completion of Howbetter disposal

On 23 December 2016, the Group completed the disposal of Jiangsu Tate & Lyle Howbetter Food Co., Ltd, its Food Systems subsidiary in China, recognising a £7 million operating exceptional charge (within other expenses) in respect of impairing and deconsolidating the entity prior to disposal, and associated costs (see Note 7).

Eaststarch re-alignment

Update in current financial year

During the year ended 31 March 2017, the Group concluded its purchase price allocation in respect of the acquisition of the remaining 50% of the plant in Slovakia, Amylum Slovakia s.r.o. (subsequently renamed Tate & Lyle Boleraz s.r.o.). The Group recognised a £1 million increase to the provisional goodwill that was recognised at 31 March 2016 following a re-measurement of net assets acquired.

Eaststarch re-alignment made during the year ended 31 March 2016

On 31 October 2015, the Group completed the re-alignment of its Eaststarch joint venture with ADM. Under the re-alignment, the Group disposed of the predominantly bulk ingredients plants in Bulgaria, Turkey and Hungary and acquired the remaining 50% interest in the more speciality food ingredients focused plant in Slovakia not already owned by the Group. The Group received net cash consideration of £173 million (€240 million) at closing.

Although the cash consideration was received as a single net amount, IFRS required this consideration to be grossed-up to determine the cash effectively paid to acquire the 50% interest in the Slovakia business and the cash received for the disposal of the Group's interests in the plants in Bulgaria, Turkey and Hungary. In addition, as the acquisition of the Slovakian business was a step acquisition, the Group's existing interest in this plant was required to be re-measured to its fair value, which was then included as a component of the consideration paid for the acquisition. This gross-up of the net cash consideration was done at fair value. The result was that consideration of £112 million (€156 million) was deemed to be paid for the acquired business, comprising £56 million (€78 million) of cash consideration and £56 million (€78 million) for the fair value of the Group's existing interest in Slovakia. Each of the components of the Eaststarch re-alignment, comprising the acquisition accounting for the Slovakia business, the gain on re-measurement of the Group's existing interest in that plant and the disposal of the plants in Bulgaria, Turkey and Hungary, are set out on pages 170 and 171.

Notes to the Consolidated Financial Statements continued

34. Acquisitions and disposals continued

Acquisition of Amylum Slovakia s.r.o.

As noted on the previous page, as part of the re-alignment of the Eaststarch joint venture, the Group acquired the remaining 50% of the more speciality focused plant in Slovakia, Amylum Slovakia s.r.o., and subsequently renamed it Tate & Lyle Boleraz s.r.o. Total consideration in respect of the Slovakian acquisition was £115 million. The fair value of identifiable net assets acquired was £80 million, resulting in provisional goodwill as at 31 March 2016 of £35 million (which was not deductible for tax purposes).

The plant in Slovakia provides a solid base from which to grow the Group's Speciality Food Ingredients business in Europe and an opportunity to increase production at the plant over time. Provisional goodwill of £35 million primarily represented the premium paid to acquire an established business with a proven workforce and growth potential in the speciality food ingredients market.

At the same time, two long-term distribution agreements were also put in place under which the Group distributes crystalline fructose, a speciality sweetener, produced by ADM in Turkey and ADM acts as exclusive distributor for bulk ingredients, produced in the Group's Slovakia and Netherlands facilities.

The acquired business in Slovakia contributed sales of £52 million and an operating profit of £2 million for the period from acquisition on 31 October 2015 until the end of the 2016 financial year (including the amortisation of acquired intangibles recognised from the acquisition). Had the business been acquired at the beginning of the 2016 financial year, it would have contributed sales of £130 million and an operating profit of £5 million in the 2016 financial year. Acquisition related costs were recognised as part of the overall Eaststarch re-alignment transaction costs (within exceptional items) and in cash flows from operating activities in the consolidated statement of cash flows.

The following tables provide a summary of the acquisition accounting:

| | 2016 £m |
|---|------------|
| Consideration | 56 |
| Non cash consideration (fair value of existing interest in Slovakian joint venture) | 56 |
| Purchase price adjustments | 3 |
| Total consideration | 115 |
| Less: fair value of net assets acquired | (80) |
| Provisional goodwill | 35 |

Cash flows:

| | |
|--|------|
| Total consideration (including purchase price adjustments) | (59) |
| Less: net cash and working capital adjustments | 5 |
| Acquisition of business, net of cash acquired | (54) |

The fair value of net assets acquired is comprised as follows:

| | Book value on acquisition £m | Fair value adjustments £m | 2016 £m |
|--|------------------------------------|---------------------------------|------------|
| Intangible assets (customer relationships £20 million, distribution agreement £9 million) | – | 29 | 29 |
| Property, plant and equipment | 48 | (1) | 47 |
| Inventories | 9 | – | 9* |
| Trade and other receivables | 9 | – | 9 |
| Cash and cash equivalents | 6 | – | 6 |
| Trade and other payables | (10) | – | (10) |
| Tax liabilities (deferred tax liability £6 million) | (4) | (6) | (10) |
| Net assets on acquisition | 58 | 22 | 80 |

* Subsequently amended in the year ended 31 March 2017; see Eaststarch re-alignment earlier in this note.

34. Acquisitions and disposals continued

Disposals made during the year ended 31 March 2016

As a result of the Eaststarch re-alignment the Group exited the predominantly bulk ingredient plants in Bulgaria, Turkey and Hungary. The re-alignment of the Group's interest in Eaststarch resulted in a gain on re-measurement/disposal of £73 million.

| | Note | 50% Interest in Slovakia £m | Other Eaststarch plants £m | 2016 £m |
|--|------|-----------------------------------|----------------------------------|------------|
| Consideration | | 56 | 229 | 285 |
| Purchase price adjustments | | 2 | 11 | 13 |
| Total consideration | | 58 | 240 | 298 |
| Total assets disposed | | (52) | (133) | (185) |
| Foreign exchange recycled from other comprehensive income | | - | (34) | (34) |
| Disposal cost | | (1) | (5) | (6) |
| Gain on re-measurement/disposal – reported within exceptional items | 7 | 5 | 68 | 73 |

Cash flows:

| | | | | |
|--|--|--|--|-----|
| Disposal of joint ventures | | | | 240 |
| Transaction costs (within exceptional cash flow) | | | | (4) |
| Net cash inflow on disposals | | | | 236 |

Exceptional gain on re-measurement/disposal reported as follows:

| | Note | 2016 £m |
|---|------|------------|
| Re-measurement of interest in Slovakia – continuing operations | 7 | 5 |
| Disposal of other Eaststarch joint ventures – discontinued operations | 7 | 68 |
| Total gain on re-measurement/disposal – exceptional items | | 73 |

35. Events after the balance sheet date

There were no post balance sheet events requiring disclosure in respect of the year ended 31 March 2017.

Notes to the Consolidated Financial Statements continued

36. Related party disclosure

Identity of related parties

The Group has related party relationships with its joint ventures and associates, the Group's pension schemes and with key management, being its Directors and executive officers. No related party transaction with close family members of the Group's key management occurred in the current or comparative year.

Subsidiaries, joint ventures and associates

Transactions entered into by the Company, Tate & Lyle PLC, with subsidiaries and between subsidiaries as well as the resultant balances of receivables and payables are eliminated on consolidation and are not required to be disclosed. Transactions and balances with and between joint ventures are as shown below. There are no such transactions with associates.

In the year ended 31 March 2017, the Group disposed of, and therefore ceased to have related party transactions with two of its subsidiaries. The Group disposed of its equity interest in Jiangsu Tate & Lyle Howbetter Food Co., Ltd., its Food Systems business in China. The Group also completed the disposal of its interest in its corn wet mill in Casablanca, Morocco. There were no other material changes in related parties or in the nature of related party transactions during the year. Further details can be found in Note 34.

In the year ended 31 March 2016, the Group re-aligned its Eaststarch joint venture and therefore ceased to have related party transactions with it.

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2017 £m | 2016 £m |
| Sales of goods and services | | |
| - to joint ventures | 133 | 137 |
| Purchases of goods and services | | |
| - from joint ventures | - | 132 |
| | | |
| | At 31 March | |
| | 2017 £m | 2016 £m |
| Receivables | | |
| - due from joint ventures | 24 | 12 |
| Payables | | |
| - due to joint ventures | - | - |

The Group had no material related party transactions containing unusual commercial terms in the current or prior year.

Key management compensation is disclosed in Note 10. There were no other related party transactions with key management.

37. Currency exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into pounds sterling were as follows:

| | Year ended 31 March | |
|----------------------|---------------------|--------------|
| | 2017 £1 = | 2016 £1 = |
| Average rate | | |
| US dollar | 1.30 | 1.51 |
| Euro | 1.19 | 1.37 |
| | | |
| | At 31 March | |
| | 2017 £1 = | 2016 £1 = |
| Year-end rate | | |
| US dollar | 1.25 | 1.44 |
| Euro | 1.17 | 1.26 |

38. Full listing of subsidiaries, joint ventures and associates

Subsidiaries based in the United Kingdom¹

| | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|---------------------------|---|---|---|
| Astaxanthin Manufacturing Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Cesalpinia (UK) Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| G.C. Hahn and Company Limited | Blending | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Hahntech International Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Harvey Steel Sugars Limited ² | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Histonpark Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Robinson Milling Systems (Tewkesbury) Limited | Dormant | 100 | 100 | 1 Kingsway, London WC2B 6AT, United Kingdom |
| T.L.S.S. Pension Nominees Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Export Holdings Limited ² | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Group Services Limited | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Holdings Americas Limited | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Holdings Limited | Dormant | 100 | 100 | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Industrial Holdings Limited ² | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Industries Limited | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle International Finance PLC ² | In-house treasury company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Investments (Gulf States) Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Investments America Limited | Holding company | 100 | 100 | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Investments Brazil Limited | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Investments Limited ² | Holding company | 100 | 100 | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle L.P. | Investment partnership | 100 | - | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| Tate & Lyle Overseas Limited | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Pension Trust Limited ² | Pension company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Share Shop Limited ² | Dormant | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Technology Limited ² | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle UK Limited ² | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Ventures II LP | Investment partnership | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Ventures Limited ² | Holding company | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |
| Tate & Lyle Ventures LP | Investment partnership | 100 | - | 1 Kingsway, London WC2B 6AT, United Kingdom |

¹ Registered in England and Wales, except Tate & Lyle L.P. which is registered in Delaware, USA.

² Direct subsidiaries of Tate & Lyle PLC.

Notes to the Consolidated Financial Statements continued

38. Full listing of subsidiaries, joint ventures and associates continued

Subsidiaries operating overseas

| Country of incorporation or registration | Company | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|---|--|---|---|---|
| Argentina | Tate & Lyle Argentina SA ¹ | SFI distribution and sales support | 100 | – | San Martín 140, 14th Floor, City of Buenos Aires, Argentina |
| Australia | Tate & Lyle ANZ Pty Limited | Food Systems production and SFI distribution | 100 | – | Building 2, 1425 Boundary Road, Wacol QLD 4076, Australia |
| Belgium | Tate & Lyle Services (Belgium) N.V. ² | Internal service provider and sales support | 100 | – | Industrielaan 4 box 10/1, 9320 Aalst, Belgium |
| Bermuda | Tate & Lyle Management & Finance Limited | Reinsurance | 100 | – | Canon's Court, 22 Victoria Street, Hamilton, Bermuda |
| Brazil | Tate & Lyle Brasil S.A. ¹ | Citric acid production and SFI distribution | 100 | – | Santa Rosa do Viterbo, State of São Paulo, Fazenda Amália, São Paulo, 14270-000, Brazil |
| | G.C. Hahn & Co. do Brasil Estabilizantes e Tecnologia para Alimentos Ltda. ¹ | Dormant | 100 | – | Rua Sapetuba Nº 211, CEP:- 005510-001 - Vila Pirajussara, Estado de São Paulo, Brazil |
| | Tate & Lyle Brasil Holdings LTDA ¹ | Holding company | 100 | – | Rodovia Santa Rosa Cajuru, Km 6, Fazenda Amalia, Santa Rosa de Viterbo, Sao Paulo, 14270-000, Brazil |
| | Tate & Lyle Gemacom Tech Indústria e Comércio S.A. ¹ | Food Systems production and support | 90 | – | No. 380, Distrito Industrial, City of Juiz de Fora, State of Minas Gerais at Rua B, 36092-050, Brazil |
| Canada | Tate & Lyle Ingredients Canada Limited | SFI sales support | 100 | – | Suite 400, Phoenix Square, 371 Queen Street, Fredericton NB E3B 1B1, Canada |
| Chile | Tate & Lyle Chile Commercial Ltda | SFI distribution and sales support | 100 | – | Isidora Goyenechea 2800, Piso 43, Las Condes, Santiago, Chile |
| China | Tate & Lyle Trading (Shanghai) Co. Ltd ¹ | SFI distribution and sales support | 100 | – | Room 201, 2F, XingLian Scientific Research, Building 2, 1535 Hong Mei Road, Shanghai, 200233, China |
| | G.C. Hahn & Co. Food Stabiliser Business (Shanghai) Ltd ¹ | Food Systems sales | 100 | – | Room 201, 2F, XingLian Scientific Research, Building 2, 1535 Hong Mei Road, Shanghai, 200233, China |
| | Tate & Lyle Food Ingredients (Nantong) Company Limited ¹ | Polydextrose production | 100 | – | New & Hi-Tech Industrial Development District, Rudong county, Nantong city, China 226400 |
| Colombia | Tate & Lyle Colombia S.A.S. ¹ | SFI distribution and sales support | 100 | – | Calle 11 #100-121 Off 309, Cali, Colombia |
| Croatia | G.C. Hahn & Co. d.o.o. Za distribuciju stabilizacionih sistema | Food Systems sales | 100 | – | Donji Banovec 15, Koprivnica, 48000, Croatia |
| Czech Republic | G.C. Hahn & Co. stabilizacni technika, s.r.o. | Food Systems sales | 100 | – | Ostravská 169, 339 01 Klatovy IV, Czech Republic |
| Egypt | Tate & Lyle Egypt LLC | Dormant | 100 | – | 87 Street 9, Maadi , Cairo, Egypt |
| France | G.C. Hahn & Cie. SARL | Food Systems sales | 100 | – | 113 Chemin de Ronde Croissy III - Batiment 3, 78290, Croissy-Sur-Seine, France |

38. Full listing of subsidiaries, joint ventures and associates continued

Subsidiaries operating overseas continued

| Country of incorporation or registration | Company | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|---|---|---|---|--|
| Germany | Tate & Lyle Ingredients France S.A.S. | Research and development centre and SFI sales support | 100 | – | 2 Avenue de L'Horizon, 59650 Villeneuve-D'Ascq, France |
| | G.C. Hahn & Co. Stabilisierungstechnik GmbH | Food Systems research and development and SFI sales support | 100 | – | Roggenhorster Strasse 31, 23556, Lübeck, Germany |
| | G.C. Hahn & Co. Cooperationsgesellschaft mbH | Holding company | 100 | – | Roggenhorster Strasse 31, 23556, Lübeck, Germany |
| | HAHN International GmbH | Dormant | 100 | – | Roggenhorster Strasse 31, 23556, Lübeck, Germany |
| | HL Handelskontor GmbH | Dormant | 100 | – | Roggenhorster Strasse 31, 23556, Lübeck, Germany |
| | Tate & Lyle Germany GmbH | SFI sales support | 100 | – | Roggenhorster Strasse 31, 23556, Lübeck, Germany |
| Gibraltar | Tate & Lyle Insurance (Gibraltar) Limited | Reinsurance | 100 | – | Suite 913, Europort, Gibraltar |
| Greece | Tate & Lyle Greece A.E. | SFI sales support | 95 | – | 54248 Thessaloniki, K. Papadaki 69, Greece |
| India | Tate & Lyle Investments (India) Private Ltd | Dormant | 100 | – | C-367, Defense Colony, New Delhi, 110 024, India |
| Israel | Tate & Lyle Israel Limited | Dormant | 100 | – | 16 Hatidhar st Ra'annana, Raanana, 4088, Israel |
| | Gamtal Foods Ltd | Dormant | 65 | – | 7 Anatot, Tel Aviv Jaffa, 6908007, Israel |
| Italy | Tate & Lyle Italia S.P.A. | Food Systems production and SFI sales support | 100 | – | Via Verdi, 1-Ossona, Milano, Italy |
| Japan | Tate & Lyle Japan KK | SFI distribution | 100 | – | 2F Oak Minami-Azabu Building, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan |
| Lithuania | UAB G.C. Hahn & Co. | Food Systems sales | 100 | – | E. Simkunaites Str. 10, , Vilnius, LT04130, Lithuania |
| Mexico | Tate & Lyle México, S. de R.L. de C.V. ¹ | SFI distribution and sales support | 100 | – | Insurgentes Sur 863, Piso 12, Colonia Nápoles, 03810, México |
| | Mexama, S.A. de C.V. ¹ | Dormant | 65 | – | Calle lago de tequesquitengo , No 111 Col. Cuahutemoc C.P. 62430 , Morelos, México |
| | Talo Services ¹ | Internal service provider | 100 | – | Insurgentes Sur 863, Piso 12, Colonia Nápoles, 03810, D.F., México |
| Morocco | T&L Casablanca S.A.R.L. | SFI sales support | 100 | – | 22, Rue du Parc, Casa Théâtre Centre, Anfa, Casablanca, Morocco |
| Netherlands | Nederlandse Glucose Industrie B.V. | Holding company | 100 | 100 | 1541 KA, Kong aan de Zaan, Lage dijk 5, The Netherlands |
| | Tate & Lyle Netherlands B.V. | BI and SFI production | 100 | – | 1541 KA, Kong aan de Zaan, Lage dijk 5, The Netherlands |
| Poland | G.C. Hahn & Co. Technika stabilizowania Sp.z o.o. | Dormant | 100 | – | ul. Bagienna 1 Chyby k. Poznania, 62-081, Przemierowo, Poland |

Notes to the Consolidated Financial Statements continued

38. Full listing of subsidiaries, joint ventures and associates continued

Subsidiaries operating overseas continued

| Country of incorporation or registration | Company | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|--|--|---|---|--|
| | Tate & Lyle Global Shared Services Sp.z o.o. | Internal service provider | 100 | – | Sterlinga 8A, 91425, Łódź, Poland |
| | Tate & Lyle Poland Sp.z o.o. | SFI sales support | 100 | – | Sterlinga 8A, 91425, Łódź, Poland |
| Russian Federation | Tate & Lyle CIS LLC ¹ | Food Systems sales | 100 | – | Leninskaya Sloboda,26, Area 2, Room 100, 115280, Moscow, Russian Federation |
| Singapore | Tate & Lyle Asia Pacific Pte. Ltd. | SFI sales and ASPAC regional head office | 100 | – | 3 Biopolis Drive, #05-11 Synapse, Singapore 138623 |
| | Tate & Lyle Singapore Pte Ltd | Sucralose production (now decommissioned) | 100 | – | One Marina Boulevard #28-00 Singapore 018989 |
| | Tate & Lyle Singapore Holdings Pte Ltd | Holding company | 100 | – | One Marina Boulevard #28-00 Singapore 018989 |
| Slovakia | Tate & Lyle Boleraz s.r.o. | BI and SFI production | 100 | – | Boleraz 114, 91908 Boleraz, Slovakia |
| | Tate & Lyle Slovakia, s.r.o. | Internal service provider | 100 | – | Boleraz 114, 91908 Boleraz, Slovakia |
| South Africa | Tate and Lyle South Africa Proprietary Limited | Food Systems production and SFI distribution | 100 | – | 1 Gravel Drive, Kya Sands Business Park, Kya Sands, 2163, South Africa |
| Spain | G.C. Hahn Estabilizantes y Tecnologia para Alimentos | Food Systems sales | 100 | – | Av. Valencia, 15, 46171, Casinos Valencia, Spain |
| | Ebromyl S.L. | Dormant | 100 | – | Paseo Independencia, 6- PLT 3, 50004, Zaragoza, Zaragoza, Spain |
| | Talan Iberica SA | Dormant | 100 | – | 28 Raimundo Fernández Villaverde, 28003, Madrid, Spain |
| Sweden | Tate & Lyle Sweden AB | Oat protein and Beta Glucan production | 100 | – | Älvåsvägen 1, 610 20, Kimstad, Sweden |
| Turkey | Tate and Lyle Turkey Gıda Hizmetleri Anonim Şirketi | SFI sales support | 100 | – | Esentepe Mah., Büyükdere Cad. , 193 Plaza Kat: 2 193 / 235A14 Şişli, İstanbul, Turkey |
| Ukraine | PII G.C. Hahn & Co. Kiev ¹ | Food Systems sales | 100 | – | Mala Olexandriwka, Zentralna-Str. 2-B, Borispol, 08320KIEW, UKRAINE |
| United Arab Emirates | Tate & Lyle DMCC | Food Systems and SFI sales support | 100 | – | Cluster X, Tower X3, Office n. 3805., Jumeira Lake Towers, Dubai, United Arab Emirates |
| USA | Staley Holdings LLC | Holding company | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Custom Ingredients LLC | Food Systems production | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Finance LLC | In-house finance | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | TLHUS, Inc. | Holding company | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Ingredients Americas LLC | BI and SFI production | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Sucralose LLC | Sucralose production | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | TLI Holding LLC | In-house finance | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Domestic International Sales Corporation | Internal service provider | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |

38. Full listing of subsidiaries, joint ventures and associates continued

Subsidiaries operating overseas continued

| Country of incorporation or registration | Company | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|----------------------------------|--------------------------------|---|---|--|
| | Tate & Lyle Grain, Inc. | Grain products | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Malic Acid LLC | Dormant | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Sugar Holdings, Inc. | Holding company | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Americas LLC | Internal service provider | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Tate & Lyle Citric Acid LLC | Citric acid production | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |
| | Staley International Inc. | Cereal sweeteners and starches | 100 | – | 208 So. LaSalle Street, Suite 814, Chicago, IL 560604, United States |
| | G. C. Hahn USA LLC | Dormant | 100 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |

1 Non-coterminous year-end.

2 Direct subsidiaries of Tate & Lyle PLC.

Joint ventures

| Country of incorporation or registration | Company | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|---|------------------------|---|---|--|
| Mexico | Almidones Mexicanos SA ¹ | BI and SFI production | 50 | – | Calle 26 No. 2756, Zona Industrial, Guadalajara, Jal., 44940, Mexico |
| | Promotora de Productos y Mercados Mexicanos, S.A. de C.V. | BI and SFI production | 50 | – | Calle 26 No. 2756, Zona Industrial, Guadalajara, Jal., 44940, Mexico |
| Netherlands | Eastern Sugar B.V. | Holding company | 50 | – | Zwanebloem 31, 4823 MV Breda, The Netherlands |
| USA | DuPont Tate & Lyle Bio Products Company, LLC | Industrial ingredients | 50 | – | 1209 North Orange Street, Wilmington, Delaware 19801, United States |

1 Non-coterminous year-end.

Associates

| Country of incorporation or registration | Company | Type of business | Percentage of ordinary shares attributable to Tate & Lyle PLC | Percentage of preference shares attributable to Tate & Lyle PLC | Registered address |
|--|--|-------------------|---|---|--|
| Thailand | Tapioca Development Corporation ¹ | Starch production | 33.3 | – | 8th floor Thai Wah Tower 1, 21/19 South Sathorn Rd., Tungmahamek, Sathorn, Bangkok 10120, Thailand |

1 Direct associate of Tate & Lyle PLC.

The results, assets and liabilities and cash flows of those entities whose financial years are not coterminous with that of the Group are consolidated or equity accounted in the Group's financial statements on the basis of management accounts for the year to 31 March.

Independent Auditors' Report to the Members of Tate & Lyle PLC

Report on the Parent Company financial statements

Our opinion

In our opinion, Tate & Lyle PLC's Parent Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Parent Company Balance Sheet as at 31 March 2017;
- the Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 opinion

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or

- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Statement of Responsibilities set out on page 99, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Group financial statements of Tate & Lyle PLC for the year ended 31 March 2017.

John Waters (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

24 May 2017

- The maintenance and integrity of the Tate & Lyle PLC website (www.tateandlyle.com) is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Parent Company Balance Sheet

| | | At 31 March | |
|--|-------|----------------|------------|
| | Notes | 2017 £m | 2016 £m |
| ASSETS | | | |
| Fixed assets | | | |
| Tangible fixed assets | 2 | 2 | 3 |
| Intangible assets | 3 | 3 | 3 |
| Investments in subsidiary undertakings | 4 | 1 028 | 1 018 |
| Investments in associates | 5 | 4 | 2 |
| Total | | 1 037 | 1 026 |
| Current assets | | | |
| Debtors | 6 | 1 554 | 1 617 |
| Cash at bank | | - | - |
| | | 1 554 | 1 617 |
| Creditors – amounts falling due within one year | 7 | (1 314) | (1 531) |
| Net current assets | | 240 | 86 |
| Total assets less current liabilities | | | |
| Creditors – amounts falling due after more than one year | 8 | (2) | (2) |
| Net assets | | 1 275 | 1 110 |
| Capital and reserves | | | |
| Called up share capital | 11 | 117 | 117 |
| Share premium account | | 406 | 406 |
| Capital redemption reserve | | 8 | 8 |
| Retained earnings | | 744 | 579 |
| Total shareholders' funds | | 1 275 | 1 110 |

The Company recognised profit for the year of £298 million (2016 – £260 million).

The Parent Company's financial statements on pages 179 to 186 were approved by the Board of Directors on 24 May 2017 and signed on its behalf by:

Javed Ahmed, Nick Hampton
Directors

The notes on pages 181 to 186 form part of these financial statements.

Tate & Lyle PLC
Registered number: 76535

Parent Company Statement of Changes in Equity

| | Called up share capital £m | Share premium account £m | Capital redemption reserves £m | Retained earnings £m | Total equity £m |
|---------------------------|-------------------------------------|-----------------------------------|---|----------------------------|-----------------------|
| At 1 April 2015 | 117 | 406 | 8 | 446 | 977 |
| Year ended 31 March 2016: | | | | | |
| Profit for the year | - | - | - | 260 | 260 |
| Purchase of own shares | - | - | - | (7) | (7) |
| Share-based payments | - | - | - | 10 | 10 |
| Ordinary dividends paid | - | - | - | (130) | (130) |
| At 31 March 2016 | 117 | 406 | 8 | 579 | 1 110 |
| Year ended 31 March 2017: | | | | | |
| Profit for the year | - | - | - | 298 | 298 |
| Purchase of own shares | - | - | - | (18) | (18) |
| Share-based payments | - | - | - | 15 | 15 |
| Ordinary dividends paid | - | - | - | (130) | (130) |
| At 31 March 2017 | 117 | 406 | 8 | 744 | 1 275 |

At 31 March 2017, the Company had realised profits available for distribution in excess of £625 million.

Notes to the Parent Company Financial Statements

1. Principal accounting policies

Basis of preparation

Tate & Lyle PLC (the Company) is a public limited company incorporated in the United Kingdom and registered in England. The Company's ordinary shares are listed on the London Stock Exchange.

The Company's financial statements are prepared under the historical cost convention in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and with UK accounting presentation as at 31 March 2017, with comparative figures as at 31 March 2016.

For the reasons set out on page 111, the Company's financial statements are prepared on a going concern basis.

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account is not presented in these financial statements. Profit and loss account disclosures are presented in Note 13.

The results of the Company are included in the preceding Group financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18(a) of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of IFRS 2 Share Based Payments
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d) (statement of cash flows), 10(f) (statement of financial position as at the beginning of the proceeding period when an entity applies an accounting policy retrospectively), 38(A to D) (comparative information), 40(A to D) (presentation of third balance sheet), 111 (statement of cash flows) and 134 to 136 (capital management) of IAS 1 Presentation of Financial Statements.

The Company intends to maintain these disclosure exemptions in future years.

Judgements and key sources of uncertainty

Estimating fair value for share-based transactions requires determination of the most appropriate valuation model which depends on the terms and conditions of the grant. This estimation also requires determination of the most appropriate inputs to the valuation model.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to the income statement during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its useful economic life.

Residual values and useful lives are reviewed at each period-end date and adjusted as appropriate, with any resulting changes recognised in the income statement prospectively.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

Intangible assets

Other intangible assets comprise certain computer software and the global IS/IT system. Costs incurred on the development, design and testing of the software and systems are capitalised only when their technical feasibility has been proven. Costs associated with maintenance are charged to the income statement in the period in which they are incurred. Other intangible assets are amortised on a straight-line basis over the periods of their expected benefit to the Company, which are in the range of three to seven years.

Investments

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in financial and operating policy decisions but not to control or jointly control them.

Investments in subsidiary undertakings and in associates represent interests that are directly owned by the Company and are stated at cost less amounts written-off for any permanent diminution in value.

Amounts owed by or to subsidiary undertakings

Amounts owed by or to subsidiary undertakings are stated at amortised cost using the effective interest method. Amounts owed by subsidiary undertakings are written off where deemed unrecoverable.

Notes to the Parent Company Financial Statements continued

1. Principal accounting policies continued

Leases

Operating lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

Retirement benefits

The Company participates in a defined benefit pension scheme in which certain of its subsidiaries also participate. The Company, which is not the principal employer, cannot identify its share of the underlying assets and liabilities of the scheme. Accordingly, as permitted by IAS 19 Employee Benefits, the Company accounts for the scheme as a defined contribution scheme and charges its contributions to the scheme to the profit and loss account in the periods in which they fall due.

Deferred tax

Deferred tax is recognised in respect of all temporary differences that have originated but which have not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more tax. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currency translation

Transactions denominated in foreign currencies are translated into pounds sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into pounds sterling at the exchange rate ruling on the balance sheet date. Currency translation differences are credited or charged to the profit and loss account. Non-monetary assets denominated in foreign currencies and carried at historical cost are translated using the exchange rate ruling on the date of transaction.

Share-based payments

As described in Note 31 to the consolidated financial statements, the Company operates share-based incentive plans under which it grants awards over its ordinary shares to its own employees and to those of its subsidiary undertakings. All of the awards granted under the existing plans are classified as equity-settled awards.

For awards granted to its own employees, the Company recognises an expense that is based on the fair value of the awards measured at the grant date using the Black-Scholes option pricing formula. Fair value reflects any market performance conditions and all non-vesting conditions.

Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. Generally, the expense is recognised in the profit and loss account on a straight-line basis over the vesting period and a corresponding credit is recognised in the profit and loss account reserve. For awards granted to employees of its subsidiary undertakings, the Company recognises a capital contribution to the subsidiary and a corresponding credit to equity calculated on the same basis as the expense that it recognises for awards to its own employees.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Guarantees

From time to time, the Company provides guarantees to third parties in respect of the indebtedness of its subsidiary undertakings and joint ventures. The Directors consider these guarantees to be insurance arrangements and, therefore, the Company recognises a liability in respect of such guarantees only in the event that it becomes probable that the guarantee will be called upon and the Company will be required to make a payment to the third party. Commitments in respect of retirement benefit obligations are detailed in Note 14.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored Employee Benefit Trust that are used to satisfy awards made under the Company's share-based incentive plans. When own shares are acquired, the cost of purchase in the market is deducted from the profit and loss account reserve. Gains or losses on the subsequent transfer or sale of own shares are also recognised in the profit and loss account reserve.

Dividends

Dividends on the Company's ordinary shares are recognised when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's AGM. Dividends are recognised as an appropriation of shareholders' funds. Details of dividends paid and proposed are set out in Note 12.

Dividend income received from subsidiary companies is recognised when the right to receive the payment is established.

2. Tangible fixed assets

| | Plant and machinery £m |
|--|------------------------------|
| Cost | |
| At 1 April 2016 | 7 |
| Disposals | (2) |
| At 31 March 2017 | 5 |
| Accumulated depreciation | |
| At 1 April 2016 | 4 |
| Depreciation charge | 1 |
| Disposals | (2) |
| At 31 March 2017 | 3 |
| Net book value at 31 March 2016 | 3 |
| Net book value at 31 March 2017 | 2 |

3. Intangible assets

| | Other intangible assets £m |
|--|-------------------------------------|
| Cost | |
| At 1 April 2016 | 4 |
| Additions | 1 |
| At 31 March 2017 | 5 |
| Accumulated amortisation | |
| At 1 April 2016 | 1 |
| Amortisation charge | 1 |
| At 31 March 2017 | 2 |
| Net book value at 31 March 2016 | 3 |
| Net book value at 31 March 2017 | 3 |

4. Investments in subsidiary undertakings

| | £m |
|--|--------------|
| Cost | |
| At 1 April 2016 | 1 580 |
| Additions | 7 |
| At 31 March 2017 | 1 587 |
| Impairment | |
| At 1 April 2016 | 562 |
| Reversal of impairment | (3) |
| At 31 March 2017 | 559 |
| Net book value at 31 March 2016 | 1 018 |
| Net book value at 31 March 2017 | 1 028 |

5. Investments in associates

The Company's interest of ordinary shares in Tapioca Development Corporation, a company incorporated in Thailand, is 33.3% (2016 – 33.3%).

Notes to the Parent Company Financial Statements continued

6. Debtors

| | At 31 March | |
|---|--------------|--------------|
| | 2017 £m | 2016 £m |
| Due within one year | | |
| Amounts owed by subsidiary undertakings | 1 551 | 1 614 |
| Other debtors | 3 | 3 |
| Total | 1 554 | 1 617 |

The effective interest rate applicable to amounts owed by subsidiary undertakings at 31 March 2017 is 1.8% (2016 – 2.3%). Amounts owed by subsidiary undertakings are receivable on demand. There is no security for non-trading amounts.

7. Creditors – amounts falling due within one year

| | At 31 March | |
|---|--------------|--------------|
| | 2017 £m | 2016 £m |
| Amounts owed to subsidiary undertakings | 1 292 | 1 509 |
| Other creditors | 6 | 4 |
| Accruals and deferred income | 16 | 18 |
| Total | 1 314 | 1 531 |

The effective interest rate applicable to amounts owed to subsidiary undertakings at 31 March 2017 was 2.3% (2016 – 2.7%). Amounts owed to subsidiary undertakings are repayable on demand. There is no security for non-trading amounts.

8. Creditors – amounts falling due after more than one year

| | At 31 March | |
|--------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Total | 2 | 2 |

On a return of capital on a winding-up, the holders of 6.5% cumulative preference shares shall be entitled to £1 per share, in preference to all other classes of shareholders. Holders of these shares are entitled to vote at meetings, except on the following matters: any question as to the disposal of the surplus profits after the dividend on these shares has been provided for; the election of directors; their remuneration; any agreement between the directors and the Company; or the alteration of the Articles of Association dealing with any such matters.

9. Contingent liabilities

At 31 March 2017, the Company had given guarantees in respect of long-term bonds, bank facilities and a US Commercial Paper Programme of certain of its subsidiaries and joint ventures totalling £2,117 million (2016 – £2,227 million), against which amounts drawn totalled £700 million (2016 – £730 million). The Company had given guarantees in respect of operating lease commitments of certain of its subsidiaries and joint ventures totalling £288 million (2016 – £270 million). The Company provides other guarantees in the normal course of business. The Company has assessed the probability of material loss under these guarantees as remote.

In addition, commitments in respect of retirement benefit obligations are detailed in Note 14.

10. Financial commitments

Operating lease rentals payable during the year were £1 million (2016 – £1 million), all in respect of land and buildings. At 31 March 2017, the Company has outstanding commitments under non-cancellable operating leases which fall due as follows:

| | At 31 March | |
|---------------------------------|-------------|------------|
| | 2017 £m | 2016 £m |
| Within one year | 1 | 1 |
| Between one year and five years | 6 | 6 |
| After five years | 6 | 8 |
| Total | 13 | 15 |

At 31 March 2017, the Company had outstanding capital commitments of Enil (2016 – Enil).

11. Share capital and share premium

Allotted, called up and fully paid equity share capital

| | 2017 | | 2016 | |
|-------------------------------------|------------------|---------|------------------|---------|
| | Number of shares | Cost £m | Number of shares | Cost £m |
| At 1 April | 468 235 944 | 117 | 468 223 975 | 117 |
| Allotted under share option schemes | 20 922 | – | 11 969 | – |
| At 31 March | 468 256 866 | 117 | 468 235 944 | 117 |

See Note 22 in the consolidated financial statements for details of treasury shares and shares held in the Employee Benefit Trust.

12. Dividends on ordinary shares

Dividends on ordinary shares in respect of the financial year:

| | Year ended 31 March | |
|---------------------------|---------------------|------------|
| | 2017 pence | 2016 pence |
| Per ordinary share: | | |
| – interim dividend paid | 8.2 | 8.2 |
| – final dividend proposed | 19.8 | 19.8 |
| Total dividend | 28.0 | 28.0 |

The Directors propose a final dividend for the financial year of 19.8p per ordinary share that, subject to approval by shareholders, will be paid on 1 August 2017 to shareholders who are on the Register of Members on 30 June 2017.

Dividends on ordinary shares paid in the year:

| | Year ended 31 March | |
|--|---------------------|---------|
| | 2017 £m | 2016 £m |
| Final dividend paid relating to the prior year | 92 | 92 |
| Interim dividend paid relating to the year | 38 | 38 |
| Total dividend paid | 130 | 130 |

Based on the number of ordinary shares outstanding at 31 March 2017 and the proposed amount, the final dividend for the financial year is expected to amount to £92 million.

13. Profit and loss account disclosures

The Company recognised a profit for the year of £298 million (2016 – £260 million).

Fees payable to the Company's external auditors, PricewaterhouseCoopers LLP, for the audit of the Company's financial statements amounted to £0.1 million (2016 – £0.1 million).

The Company employed an average of 149 people (including Directors) during the year (2016 – 133). Staff costs are shown below:

| | Year ended 31 March | |
|------------------------|---------------------|-----------|
| | 2017 £m | 2016 £m |
| Wages and salaries | 26 | 21 |
| Social security costs | 5 | 3 |
| Other pension costs | 2 | 1 |
| Share-based incentives | 8 | 3 |
| Total | 41 | 28 |

Directors' emoluments disclosures are provided in the Directors' Remuneration Report on pages 74 to 97 and in Note 10 of the consolidated financial statements.

No deferred tax assets have been recognised in respect of tax losses of £341 million as there is uncertainty as to whether taxable profits against which these assets may be recovered will be available.

Notes to the Parent Company Financial Statements continued

14. Employee benefits

Plan information

The Company participates in a defined benefit plan together with another subsidiary company, Tate & Lyle Industries Ltd. Payments made by contributing companies principally comprise funding contributions agreed with the trustees that are determined to ensure that appropriate funding levels are maintained and funding deficits are eliminated over a reasonable period of time. The plan is closed to new entrants and future accruals. The Company has 342 pensioners and deferred pensioners out of a total membership of circa 5,800 (excluding dependent beneficiaries).

The Company also operates a defined contribution pension plan. Contributions payable by the Company to the plan during the year amounted to £2 million (2016 – £1 million).

The Company has provided a full liability guarantee in respect of the pension obligations of Tate & Lyle Industries Ltd, the other participating employer. Whilst there is no agreed allocation of deficit or surplus, the trustees have discretion to distribute any surplus on winding up as they consider appropriate, after increase of benefits consistent with Inland Revenue Limits which applied up to 5 April 2006.

Funding commitments of the plan

As required by UK regulations, actuarial valuations are carried out at least every three years. Core funding contributions are £12 million per annum (2016 – £12 million). In addition, supplementary contributions of £6 million (2016 – £6 million) will be made into a secured funding account until March 2023. The deficit or surplus in the plan impacts the future contributions which are determined with reference to the triennial actuarial valuations.

For further details on the defined benefit plan see Note 30 in the consolidated financial statements.

Group Five-year Summary

| | Pre IFRS 11* | | | | Post IFRS 11# |
|---|--------------|------------|------------|------------|---------------|
| | | | | | At 31 March |
| | 2013 £m | 2014 £m | 2015 £m | 2016 £m | 2017 £m |
| Employment of capital | | | | | |
| Goodwill and intangible assets | 356 | 307 | 340 | 390 | 401 |
| Property, plant and equipment | 958 | 732 | 750 | 926 | 1 061 |
| Other assets | 33 | 28 | 33 | 23 | 30 |
| Working capital (including provisions and non-debt derivatives) | 497 | 351 | 339 | 323 | 394 |
| Net pension deficit | (265) | (220) | (227) | (208) | (139) |
| Net assets held for sale (excluding cash included in net debt) | 1 | - | - | 5 | - |
| Net operating assets | 1 580 | 1 198 | 1 235 | 1 459 | 1 747 |
| Investment in joint ventures and associates | - | 312 | 327 | 85 | 96 |
| Net debt | (479) | (385) | (555) | (434) | (452) |
| Net tax liability | (65) | (75) | (71) | (81) | (59) |
| Total net assets | 1 036 | 1 050 | 936 | 1 029 | 1 332 |
| Capital employed | | | | | |
| Called up share capital | 117 | 117 | 117 | 117 | 117 |
| Reserves | 919 | 932 | 818 | 911 | 1 215 |
| | 1 036 | 1 049 | 935 | 1 028 | 1 332 |
| Non-controlling interests | - | 1 | 1 | 1 | - |
| | 1 036 | 1 050 | 936 | 1 029 | 1 332 |

| | Pre IFRS 11* | | | | Post IFRS 11# |
|--|--------------|------------|------------|------------|---------------------|
| | | | | | Year ended 31 March |
| | 2013 £m | 2014 £m | 2015 £m | 2016 £m | 2017 £m |
| Results summary | | | | | |
| Continuing operations | | | | | |
| Sales | 3 256 | 2 737 | 2 341 | 2 355 | 2 753 |
| Adjusted operating profit | 356 | 274 | 184 | 188 | 264 |
| Amortisation of acquired intangible assets | (10) | (10) | (9) | (11) | (12) |
| Exceptional items | (12) | (14) | (142) | (50) | (19) |
| Operating profit | 334 | 250 | 33 | 127 | 233 |
| Adjusted net finance expense | (29) | (27) | (23) | (23) | (25) |
| Net retirement benefit interest expense | (4) | (8) | (8) | (6) | (7) |
| Net finance expense | (33) | (35) | (31) | (29) | (32) |
| Share of profit after tax of joint ventures and associates | - | 22 | 23 | 28 | 32 |
| Profit before tax | 301 | 237 | 25 | 126 | 233 |
| Income tax (expense)/credit | (46) | (32) | (21) | (5) | 22 |
| Profit for the year from continuing operations | 255 | 205 | 4 | 121 | 255 |
| Profit for the year from discontinued operations | 18 | 68 | 26 | 42 | 1 |
| Non-controlling interests | (1) | - | - | - | - |
| Profit for the year attributable to owners of the Company | 272 | 273 | 30 | 163 | 256 |
| Adjusted profit before tax | 327 | 269 | 184 | 193 | 271 |

* Year 2013 presented on a proportionate consolidation basis for both statutory and adjusted metrics.

Years 2014-2017 prepared on an equity accounted basis for statutory and adjusted metrics.

Group Five-year Summary continued

| | Pre IFRS 11* | | | Post IFRS 11# | |
|---|---------------------|--------|--------|---------------|---------------|
| | Year ended 31 March | | | | |
| Per share information | 2013 | 2014 | 2015 | 2016 | 2017 |
| Earnings per share continuing operations: | | | | | |
| – basic (pence) | 54.9p | 44.2p | 0.9p | 26.1p | 55.0p |
| – diluted (pence) | 53.8p | 43.6p | 0.8p | 25.9p | 54.2p |
| Earnings per share total operations: | | | | | |
| – basic (pence) | 58.6p | 58.8p | 6.6p | 35.1p | 55.2p |
| – adjusted basic (pence) | 55.8p | 56.5p | 38.0p | 34.9p | 47.9p |
| Earnings per share total operations: | | | | | |
| – diluted (pence) | 57.4p | 58.0p | 6.5p | 34.8p | 54.4p |
| – adjusted diluted (pence) | 54.7p | 55.7p | 37.7p | 34.7p | 47.1p |
| Dividends per ordinary share (pence) | 26.2p | 27.6p | 28.0p | 28.0p | 28.0p |
| Closing share price at 31 March (pence) | 850.0p | 667.5p | 597.5p | 578.0p | 764.5p |
| Closing market capitalisation at 31 March (£million) | 3 980 | 3 125 | 2 798 | 2 706 | 3 580 |
| Business ratios | | | | | |
| Interest cover (times)¹ | 11.1x | 11.6x | 10.7x | 10.7x | 13.9x |
| Operating profit before exceptional items and amortisation of intangible assets divided by net finance expense | | | | | |
| Net debt to EBITDA (times)¹ | 1.0x | 0.8x | 1.3x | 1.2x | 0.9x |
| Net debt divided by pre-exceptional EBITDA | | | | | |
| Gearing | 46% | 37% | 59% | 42% | 34% |
| Net debt as a percentage of total net assets ² | | | | | |
| Adjusted operating margin | 10.7% | 10.0% | 7.8% | 7.9% | 9.6% |
| Adjusted operating profit as a percentage of sales ² | | | | | |
| Return on net operating assets | 21.5% | 21.7% | 14.4% | 13.1% | 15.7% |
| Profit before interest, tax and exceptional items as a percentage of average net operating assets ² | | | | | |
| Dividend cover (times) | | | | | |
| Basic earnings per share divided by dividends per share ² | 2.2x | 2.1x | 0.2x | 1.3x | 2.0x |
| Adjusted basic earnings per share divided by dividends per share ² | 2.1x | 2.0x | 1.4x | 1.2x | 1.7x |

* Year 2013 presented on a proportionate consolidation basis for both statutory and adjusted metrics.

Years 2014-2017 prepared on an equity accounted basis for statutory and adjusted metrics.

1 Interest cover and net debt to EBITDA have been calculated using the same basis as set out in the Group's external financial covenants.

2 These metrics have been calculated using the results of both continuing and discontinued operations.

Additional Information

Calculation of changes in constant currency

Where changes in constant currency are presented in this statement, they are calculated by retranslating current year results at prior year exchange rates. This represents a change to the methodology applied in previous years, which involved retranslating prior year results at current year exchange rates. This change, which has not had a material impact, has been made to align with how the majority of external stakeholders view constant currency performance comparisons. The following tables provide reconciliation between 2017 performance at actual exchange rates and at constant currency exchange rates. Absolute numbers presented in the tables are rounded for presentational purposes, whereas the growth percentages are calculated on unrounded numbers.

| Adjusted performance | 2017 | | 2017 at | Underlying | 2016 | Change | Change in |
|--|--------------|--------|----------|------------|-------|--------|-----------|
| Continuing operations | £m | FX | constant | growth | £m | % | constant |
| | | £m | currency | £m | | | currency |
| | | | £m | £m | | | % |
| Sales | 2 753 | (361) | 2 392 | 37 | 2 355 | 17% | 2% |
| Speciality Food Ingredients | 181 | (23) | 158 | 8 | 150 | 21% | 5% |
| Bulk Ingredients | 129 | (18) | 111 | 27 | 84 | 54% | 32% |
| Central | (46) | (1) | (47) | (1) | (46) | – | (1%) |
| Adjusted operating profit | 264 | (42) | 222 | 34 | 188 | 40% | 18% |
| Adjusted net finance expense | (25) | 3 | (22) | 1 | (23) | (9%) | 2% |
| Share of profit after tax of joint ventures and associates | 32 | (1) | 31 | 3 | 28 | 16% | 13% |
| Adjusted profit before tax | 271 | (40) | 231 | 38 | 193 | 40% | 20% |
| Adjusted income tax expense | (49) | 7 | (42) | (10) | (32) | (55%) | (33%) |
| Adjusted profit after tax | 222 | (33) | 189 | 28 | 161 | 37% | 17% |
| Adjusted diluted EPS (pence) | 47.1p | (7.0p) | 40.1p | 5.6p | 34.5p | 37% | 16% |

Information for Investors

Shareholder enquiries

Ordinary shares

Equiniti Limited

Information on how to manage your shareholdings can be found at www.shareview.co.uk. The website also provides answers to commonly asked shareholder questions and has links to downloadable forms, guidance notes and Company history fact sheets. You can also send your enquiry via secure email from the Shareview website.

Telephone enquiries

0371 384 2063 (for UK calls)¹
+44 (0)121 415 0235 (for calls from outside the UK)

¹ Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

Written enquiries

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

American Depositary Shares (ADSs)

The Bank of New York Mellon

The Company's shares trade in the US on the over-the-counter (OTC) market in the form of ADSs and these are evidenced by American Depositary Receipts (ADRs). The shares are traded under the ticker symbol TATYY.

Telephone enquiries

+1 888 269 2377 (for US calls)
+1 201 680 6825 (for calls from outside the US)

Written enquiries

BNY Mellon Shareowner Services
PO Box 30170
College Station
TX 77842-3170
USA

Tate & Lyle website and share price information



Tate & Lyle's website provides direct links to other Group company sites and to sites providing financial and other information relevant to the Company. The share price is available on the website with a 20-minute delay.

Financial calendar

| | |
|---|---------------------------|
| 2017 Annual General Meeting | 27 July 2017 |
| Announcement of half-year results for the six months to 30 September 2017 | 2 Nov 2017 ¹ |
| Announcement of full-year results for the year ending 31 March 2018 | 24 May 2018 ¹ |
| 2018 Annual General Meeting | 26 July 2018 ¹ |

Dividends paid on ordinary shares during the year ended 31 March 2017

| Payment date | Dividend description | Dividend per share |
|--------------|----------------------|--------------------|
| 29 July 2016 | Final 2016 | 19.8p |
| 3 Jan 2017 | Interim 2017 | 8.2p |

Dividend calendar for dividends on ordinary shares

| | 2017 final | 2018 interim | 2018 final |
|--------------|----------------------------|-------------------------|------------------------------|
| Announced | 25 May 2017 | 2 Nov 2017 ¹ | 24 May 2018 ¹ |
| Payment date | 1 August 2017 ² | 5 Jan 2018 ¹ | 1 August 2018 ^{1,2} |

¹ Provisional date.

² Subject to approval of shareholders.

Dividends paid on 6.5% cumulative preference shares

Paid each 31 March and 30 September.

Capital gains tax

The market values on 31 March 1982 for the purposes of indexation up to April 1998 in relation to capital gains tax of Tate & Lyle PLC shares then in issue were:

| | |
|--|---------|
| Ordinary share of £1 each | 201.00p |
| Equivalent value per ordinary share of 25p | 50.25p |
| 6.5% cumulative preference share | 43.50p |

Electronic communications

Shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and the impact of the documents on the environment.

Shareholders who wish to receive email notification should register online at www.shareview.co.uk, using their shareholder reference number that is on either their share certificate or other correspondence.

Dividend payments

Dividend reinvestment plan

The Company operates a Dividend Reinvestment Plan (DRIP) which enables shareholders to use their cash dividend to buy additional shares in Tate & Lyle PLC. Further information can be obtained from Equiniti.

Direct into your bank account

We encourage shareholders to have their dividends paid directly into their bank or building society account; dividend confirmations are then mailed to shareholders separately. This method avoids the risk of dividend cheques being delayed or lost in the post. If you live outside the UK, Equiniti also offers an overseas payment service whereby your dividend is converted into your local currency. Further information on mandating your dividend payments and the overseas payment service can be obtained from Equiniti.

Beware of share fraud

Shareholders should be very wary of any unsolicited calls or correspondence offering to buy or sell shares at a discounted price. These calls are typically from fraudsters operating 'boiler rooms'. Boiler rooms use increasingly sophisticated means to approach investors and often leave their victims out of pocket. If you are concerned that you may have been targeted by fraudsters please contact the Financial Conduct Authority (FCA) Consumer Helpline on 0800 111 6768.

Glossary

A

Acidulants

Ingredients such as citric acid that are used to add a 'sour' taste to food and soft drinks and to act as a preservative.

Adjusted operating cash flow

Adjusted operating cash flow is defined as adjusted free cash flow from continuing operations, adding back net interest paid, tax paid and retirement cash contributions, and excluding derivative and margin call movements within working capital.

Adjusted operating profit (PBITEA)

Operating profit (as defined separately), adjusted for amortisation of acquired intangible assets and net exceptional items.

Adjusted profit before tax (PBTEA)

Profit before tax (as defined separately), adjusted for amortisation of acquired intangible assets, net exceptional items and net retirement benefit interest.

B

BI

Bulk Ingredients division.

Bio-PDO™

Multi-purpose monomer propanediol made from corn sugar (as opposed to being made from a petrochemical source). Used in cosmetics, detergents, carpets and textiles.

C

Capex

Capital expenditure.

Carbon dioxide equivalent (CO₂e)

One metric tonne of carbon dioxide or an amount of any other greenhouse gas with an equivalent global warming potential, calculated consistently with international carbon reporting practices.

CDP

CDP is an international environmental reporting and benchmarking organisation that holds and publishes the largest collection globally of self-reported climate change, water and forest-risk data from companies and cities worldwide. Through CDP, investors, companies and cities are better able to mitigate risk, capitalise on opportunities and make investment decisions that drive action towards a more sustainable world.

CLARIA®

Functional Clean-Label Starches.

'Clean label'

A term used in the food and beverage industry generally to refer to shorter or simpler ingredient lists that appeal more to some consumers than those containing complex ingredients. Interpretations may vary.

Commodities

Commodities include US ethanol and co-products.

Constant currency

Where changes in constant currency are presented, they are calculated by retranslating current year results at prior year exchange rates. This represents a change to the methodology applied in previous years, which involved retranslating prior year results at current year exchange rates. This change, which has not had a material impact, has been made to align with how the majority of external stakeholders view constant currency performance comparisons. Reconciliations of the movement in constant currency have been included in the additional information on page 189.

Continuing operations

Operations of the Group excluding any discontinued operations (as defined separately).

Co-products

Corn gluten feed, corn gluten meal and corn oil.

Core Bulk Ingredients

Bulk Ingredients excluding Commodities.

Corn gluten feed

The largest Tate & Lyle co-product, used by dairy and beef cattle markets.

CSDs

Carbonated soft drinks.

D

Discontinued operations

An operation is classified as discontinued if it is a component of the Group that: (i) has been disposed of, or meets the criteria to be classified as held for sale; and (ii) represents a separate major line of business or geographic area of operations; or will be disposed of as part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations.

DOLCIA PRIMA® Allulose

Low-calorie sugar that offers a superior, new taste experience.

F

Food Systems

The Tate & Lyle blending business which is part of SFI and which sources ingredients and uses them to develop bespoke combinations of ingredients for customers.

G

Greenhouse gas (GHG)

Any of the following: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆).

H

HFCS

High fructose corn syrup, also called isoglucose in Europe.

I

ICD

Innovation and Commercial Development group, supporting our two business divisions, SFI and BI.

Glossary continued

K

KRYSTAR® Crystalline Fructose

A nutritive corn based sweetener.

L

Label friendly

Denotes ingredients that, when listed on product ingredient labels, may appeal more to some consumers who show a preference for ingredients in food products which they feel are more transparent, authentic, simpler or easier to understand than alternatives which may be perceived by some consumers as being artificial, chemical or in some way less authentic.

M

MULTIVANTAGE® Syrup

A low-sugar, low-viscosity sweetener.

N

Natural

A 'natural' description usually refers to a food ingredient that is present in nature and has been minimally processed. However, interpretations vary according to the different legal and regulatory landscape in different countries.

New Products

New Products are products in the first seven years after launch.

O

Operating profit (also referred to as profit before interest and tax (PBIT))

Sales less net operating expense.

P

Primary capacity

The processing capacity, at the first stage of production, in which the agricultural raw material enters the production process.

Profit before tax (PBT)

Sales, less net operating expense, less net finance expense and including the Group's share of profit after tax of joint ventures.

PROMITOR® Soluble Fibre

A prebiotic soluble fibre.

PromOat® Beta Glucan

A soluble fibre made from wholegrain oats used to bring the health benefits of oat beta glucan to food and beverages.

R

REZISTA® speciality food starch

A modified starch made from waxy corn which builds and protects texture in foods.

S

SFI

Speciality Food Ingredients division.

SPLENDA® Sucralose

A zero-calorie sweetener, the manufacturing process for which starts with sugar.

STA-LITE® Polydextrose

A soluble fibre with prebiotic properties made from corn and used to provide body and texture in reduced calorie, no-added sugar and high-fibre foods.

T

TASTEVA® Stevia Sweetener

A zero-calorie sweetener made from stevia.

U

USDA

US Department of Agriculture.

Definitions/explanatory notes

Non-reliance statement

This Annual Report has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential of that strategy to succeed, and should not be relied upon by any other party or for any other purpose.

Cautionary statement

This Annual Report contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Tate & Lyle PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Tate & Lyle PLC

Tate & Lyle PLC is a public limited company listed on the London Stock Exchange and is registered in England and Wales.

More information about Tate & Lyle can be found on the Company's website, www.tateandlyle.com.

Basis of preparation

Unless stated otherwise, the Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Amortisation

Unless stated otherwise, the use of the word 'amortisation' on pages 1 to 99 in this Annual Report relates to the amortisation of intangible assets acquired through business combinations.

Continuing operations

Unless stated otherwise, all comments in this Annual Report refer to the continuing operations adjusted to exclude exceptional items, amortisation of intangible assets acquired through business combinations, net retirement benefit interest and tax on the above items and tax items that themselves meet these definitions. A reconciliation of reported and adjusted information is included in Note 4 of the consolidated financial statements.

Definitions

In this Annual Report:

- 'Company' means Tate & Lyle PLC
- 'Tate & Lyle', 'Group', 'we', 'us' or 'our' means Tate & Lyle PLC and its subsidiaries
- 'Gemacom' means Tate & Lyle Gemacom Tech Indústria e Comércio S.A.
- 'Almex' means Almidones Mexicanos SA
- 'Bio-PDO' means DuPont Tate & Lyle Bio Products Company, LLC
- 'review during the year' means review during the financial year ended 31 March 2017.

Environmental statement

This Annual Report has been printed on UPM Fine offset, a paper produced using wood fibre from fully sustainable forests with Forest Stewardship Council® (FSC®) certification. All pulps used are elemental chlorine free and the manufacturing mill holds the ISO 14001 and the EMAS accreditations for their environmental management systems.

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