

25 May 2017

**TATE & LYLE PLC**  
**STATEMENT OF FULL YEAR RESULTS**  
**For the year ended 31 March 2017**

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

**Strong Financial and Operational Performance**

**Key Headlines**

- 20%<sup>3</sup> increase in Group adjusted PBT with good performance and increased margins in both business divisions
- 5%<sup>3</sup> increase in Speciality Food Ingredients adjusted operating profit to £181m:
  - 8%<sup>3</sup> profit growth in core business, despite North America volume growth remaining challenging
  - £30m increase in Sucralose profit following actions taken to refocus business
  - £19m decrease in Food Systems profit, with significant decline in Europe
- 22% increase in sales from New Products<sup>4</sup> to US\$105m
- 32%<sup>3</sup> 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 within adjusted profit before tax
- 85% higher Group reported PBT with improved trading, currency translation benefit and lower exceptionals
- £121m increase in adjusted free cash flow from higher earnings, lower capex and currency translation
- Full year dividend maintained, proposed final of 19.8p, with continued focus on building sustainable cash cover

**Javed Ahmed, Chief Executive, said:**

“This has been a year of strong performance. Both business divisions delivered good profit growth, with Bulk Ingredients delivering particularly good results, driven by excellent commercial and manufacturing performance.

Speciality Food Ingredients performed well delivering profit growth and margin expansion, and continued to strengthen its focus on commercial execution, particularly in North America where volume growth remains challenging. The innovation pipeline is healthy with New Product sales exceeding US\$100 million for the first time.

Cash generation was especially pleasing with adjusted free cash flow more than three times higher than the prior year, supporting improved dividend cover and a strong balance sheet.

Overall, these results reflect strong execution of our strategy and continued progress towards our 2020 Ambition, and are a testament to the talent and commitment of our people. This has been a very encouraging year that reflects the steps we have taken, and continue to take, to build a stronger business with higher quality earnings, capable of delivering sustainable long term growth.

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

1 Adjusted results and a number of other terms and performance measures used in this document 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 Note 3

2 Dilutive impact of shares held for employee share schemes increased to 7.1 million shares on 464.1 million shares (2016 – 3.4 million shares on 464.3 million shares) reflecting the impact of improved financial performance on vesting assumptions

3 Percentage changes in constant currency

4 New Products represent products in the first seven years after launch

## FINANCIAL HIGHLIGHTS

Year ended 31 March Continuing operations	2017 £m	2016 £m	Change	Constant currency change
Sales:				
– Speciality Food Ingredients	996	897	11%	(3%)
– Bulk Ingredients	1 757	1 458	21%	4%
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	16%	13%
Adjusted profit before tax	271	193	40%	20%
Adjusted effective tax rate	18.2%	16.5%		
Adjusted diluted earnings per share	47.1p	34.5p	37%	16%
Adjusted free cash flow	174	53		
Net debt – at 31 March	452	434		

*The results for the year ended 31 March 2017 have been adjusted to exclude exceptional items, net retirement benefit interest, amortisation of acquired intangible assets, the tax on those adjustments and tax items that themselves meet these definitions. A reconciliation of statutory and adjusted information is included in Note 3 to the Financial Information.*

- Performance benefited from good profit growth in core Speciality Food Ingredients and strong Sucralose performance supported by lower costs from a single production facility and one-off inventory sell-down. In Food Systems, performance was held back by lower volume in Europe due to consolidation of blending facilities which took longer than expected and management of a credit issue. Bulk Ingredients performance benefited from good US bulk sweetener and industrial starch demand and strong commercial execution. Adjusted operating margins increased in both divisions.
- Volume in both divisions benefited from the acquisition of 100% of the Slovakian facility from 1 November 2015.
- The adjusted effective tax rate for continuing operations in the year was 18.2% (2016 – 16.5%). 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%. The reported effective tax rate was a credit of 9.6% (2016 – charge of 4.0%) and in the current year includes the recognition of exceptional deferred tax credits totalling £65m.
- Statutory diluted earnings per share from continuing operations increased by 109% to 54.2p as a result of strong operating performance, favourable impact of currency translation, lower operating exceptional costs of £19m (2016 – £50m) and exceptional tax credits.
- Adjusted diluted earnings per share from continuing operations were 47.1p, up by 12.6p or 37% (16% in constant currency) with 5.6p of growth coming from underlying performance and 7.0p from currency translation.
- Return on Capital Employed (ROCE) increased by 300bps to 14.3%.
- Adjusted free cash flow increased to £174m benefiting from higher earnings, lower capital expenditure at £153m (2016 – £198m) and currency translation. We expect capital expenditure in the 2018 financial year to be around £150m.
- Net debt was £18m higher at £452m, with £57m adverse impact of foreign exchange translation and the dividend payment of £130m offsetting strong cash flow generation. Net debt/EBITDA reduces to 0.9x (2016 – 1.2x).
- Final dividend unchanged at 19.8 pence per share to make an unchanged total dividend for the year of 28.0 pence.

### **Cautionary statement**

This Statement of Full Year Results 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 will 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.

A copy of this Statement of Full Year Results for the year ended 31 March 2017 can be found on our website at [www.tateandlyle.com](http://www.tateandlyle.com). A hard copy of this statement is also available from the Company Secretary, Tate & Lyle PLC, 1 Kingsway, London WC2B 6AT.

SPLENDA® is a trademark of Heartland Consumer Products LLC.

### **Webcast and Conference Call Details**

A presentation of the results by Chief Executive, Javed Ahmed and Chief Financial Officer, Nick Hampton will be audio webcast live at 10.00 (BST) on Thursday 25 May 2017. To view and/or listen to a live audio-cast of the presentation, visit <http://view-w.tv/p/797-1031-18306/en>. Please note that remote listeners will not be able to ask questions during the Q&A session.

A webcast replay of the presentation will be available within two hours of the end of the live broadcast on the link above.

For those unable to view the webcast, there will also be a teleconference facility for the presentation. Details are given below:

Dial in details:

UK dial in number: +44 (0) 20 3003 2666

US dial in number: +1 212 999 6659

Password: Tate & Lyle

14 day conference call replay:

UK replay number: +44 (0) 20 8196 1998

US replay number: +1 866 583 1035

Access pin: 8736696#

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## DIVISIONAL OPERATING PERFORMANCE

### Speciality Food Ingredients

Year ended 31 March Continuing operations	Volume Change	Sales				Adjusted operating profit			
		2017	2016	Change	Constant currency change	2017	2016	Change	Constant currency change
		£m	£m	%	%	£m	£m	%	%
North America	<b>(3%)</b>	<b>357</b>	327	9%	(3%)				
Asia Pacific and Latin America	<b>2%</b>	<b>148</b>	119	25%	6%				
Europe, Middle East and Africa	<b>14%</b>	<b>145</b>	109	32%	15%				
Total excluding SPLENDA® Sucralose and Food Systems	<b>2%</b>	<b>650</b>	555	17%	2%	<b>125</b>	105	19%	8%
Food Systems	<b>(8%)</b>	<b>184</b>	186	(1%)	(13%)	<b>4</b>	23	(82%)	(84%)
SPLENDA® Sucralose	<b>(5%)</b>	<b>162</b>	156	4%	(7%)	<b>52</b>	22	134%	77%
<b>Total Speciality Food Ingredients</b>	<b>1%</b>	<b>996</b>	897	11%	(3%)	<b>181</b>	150	21%	5%

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

Adjusted operating profit grew 5% in constant currency as we drove better product mix and improved margins in the core business and SPLENDA® Sucralose 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 that 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 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 Howbetter 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.

### 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® Bliss<sup>1</sup>.

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.

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<sup>1</sup> CLARIA® Bliss was previously called CLARIA® Delight outside the European Union.

## Bulk Ingredients

Year ended 31 March Continuing operations	Volume Change			
<b>Volume</b>				
North American Sweeteners	–%			
North American Industrial Starches	3%			
<b>Total Bulk Ingredients</b>	<b>3%</b>			
	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Constant</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>	<b>currency</b>
				<b>change</b>
				<b>%</b>
<b>Sales</b>				
Total Bulk Ingredients	1 757	1 458	21%	4%
<b>Adjusted operating profit</b>				
Core Bulk Ingredients	121	93	31%	13%
Commodities	8	(9)	183%	166%
<b>Total Bulk Ingredients</b>	<b>129</b>	<b>84</b>	<b>54%</b>	<b>32%</b>

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

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 bushels<sup>1</sup>, 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.

<sup>1</sup> USDA (the US Department of Agriculture) data

## 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%<sup>1</sup>, a slightly slower decline than the historical trend.

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.

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<sup>1</sup> Source: IRI, Total US - Multi Outlet + Convenience stores



## **Other matters**

### **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.

### **Safety**

As reported in our half year statement, we have 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. 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.

### **Board Changes**

Dr Gerry Murphy joined the Board on 1 January 2017 as chairman-elect, and assumed the chair on 1 April succeeding Sir Peter Gershon who retired from the Board and as Chairman at that time.

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.

In October 2016, Jeanne Johns joined the Board as a Non-Executive Director and assumed Chairmanship of the Corporate Responsibility Committee on 1 April 2017. Jeanne is also a member of the Nominations and Remuneration Committees. 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.

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

Year ended 31 March <sup>1</sup>	2017	2016	Change	Constant
Continuing operations	£m	£m	%	currency
				change
				%
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)		
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		
<b>Earnings per share – continuing operations (pence)</b>				
Basic	55.0p	26.1p	111%	
Diluted	54.2p	25.9p	109%	
<b>Adjusted earnings per share – continuing operations (pence)</b>				
Basic	47.8p	34.7p	38%	17%
Diluted	47.1p	34.5p	37%	16%
<b>Dividends per share</b>				
Interim paid	8.2p	8.2p		
Final proposed	19.8p	19.8p		
	28.0p	28.0p		
<b>Cash flow and net debt</b>				
Adjusted free cash flow	174	53		
Net debt – At 31 March	452	434		

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 £42 million of 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 Moroccan subsidiary.

<sup>1</sup> Adjusted results and a number of other terms and performance measures used in this document 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 Note 3

## **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 Almex 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, Tate & Lyle 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 5 of the financial information.

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 totaled £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

	Year ended 31 March 2017	Year ended 31 March 2016		
	Eaststarch / Morocco Total Discontinued £m	Eaststarch / Morocco £m	Sugars / EU Starch £m	Total Discontinued £m
<b>Discontinued operations</b>				
Sales	<b>3</b>	13	–	13
Operating profit/(loss) including exceptional items	<b>1</b>	65	(20)	45
Share of profit after tax of joint ventures and associates	–	2	–	2
Profit/(loss) before tax	<b>1</b>	67	(20)	47
Income tax charge (exceptional item)	–	(5)	–	(5)
Profit/(loss) for the year	<b>1</b>	62	(20)	42
Diluted earnings per share	<b>0.2p</b>			8.9p

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.

## Cash flow and net debt

	Year ended 31 March <sup>1</sup>	
	2017	2016
	£m	£m
<b>Adjusted operating profit from continuing operations</b>	<b>264</b>	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)
<b>Adjusted free cash flow</b>	<b>174</b>	53
	At 31 March	
	2017	2016
	£m	£m
<b>Net debt</b>	<b>452</b>	434

<sup>1</sup> Adjusted results and a number of other terms and performance measures used in this document 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 Note 3

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.

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.

## 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 Note 2 to the attached financial information.

## 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	<b>1.30</b>	1.51	<b>1.25</b>	1.44
Euro : sterling	<b>1.19</b>	1.37	<b>1.17</b>	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.

## CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March	
		2017 £m	2016 £m
<b>Continuing operations</b>			
Sales	4	2 753	2 355
Operating profit	4	233	127
Finance income	6	2	1
Finance expense	6	(34)	(30)
Share of profit after tax of joint ventures and associates		32	28
Profit before tax		233	126
Income tax credit/(expense)	7	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
<b>Profit for the year attributable to:</b>			
– owners of the Company		256	163
– non-controlling interests		–	–
Profit for the year		256	163

<b>Earnings per share</b>		Pence	Pence
Continuing operations:			
– basic	9	55.0p	26.1p
– diluted	9	54.2p	25.9p
Total operations:			
– basic	9	55.2p	35.1p
– diluted	9	54.4p	34.8p

<b>Analysis of adjusted profit for the year - continuing operations</b>		£m	£m
Profit before tax - continuing operations		233	126
Adjusted for:			
Net charge for exceptional items	5	19	50
Amortisation of acquired intangible assets		12	11
Net retirement benefit interest	6,13	7	6
Adjusted profit before tax - continuing operations	3	271	193
Adjusted income tax expense - continuing operations	3,7	(49)	(32)
Adjusted profit for the year - continuing operations	3	222	161



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March	
		2017 £m	2016 £m
<b>Profit for the year</b>		<b>256</b>	163
<b>Other comprehensive income/(expense)</b>			
<b>Items that have been/may be reclassified to profit or loss:</b>			
Fair value gain on cash flow hedges		1	–
Fair value loss on cash flow hedges transferred to the income statement		4	2
Reclassified and reported in the income statement in respect of available-for-sale financial assets		(1)	–
Gain on currency translation of foreign operations		185	60
Fair value loss on net investment hedges		(69)	(18)
Share of other comprehensive income/(expense) of joint ventures and associates	12	7	(12)
Amounts transferred to the income statement upon disposal of subsidiary	16	(1)	–
Amounts transferred to the income statement upon disposal of joint ventures	16	–	34
Tax effect of the above items		–	–
		<b>126</b>	66
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurement of retirement benefit plans			
– actual return higher/(lower) than interest on plan assets	13	179	(52)
– net actuarial (loss)/gain on net retirement benefit obligation	13	(106)	45
Tax effect of the above items		(30)	2
		<b>43</b>	(5)
<b>Total other comprehensive income</b>		<b>169</b>	61
<b>Total comprehensive income</b>		<b>425</b>	224
<b>Analysed by:</b>			
– continuing operations		425	156
– discontinued operations		–	68
<b>Total comprehensive income</b>		<b>425</b>	224
<b>Attributable to:</b>			
– owners of the Company		425	224
– non-controlling interests		–	–
<b>Total comprehensive income</b>		<b>425</b>	224

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2017	2016
		£m	£m
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and other intangible assets		401	390
Property, plant and equipment		1 061	926
Investments in joint ventures	12	92	82
Investments in associates		4	3
Available-for-sale financial assets		30	19
Derivative financial instruments		15	21
Deferred tax assets		22	3
Trade and other receivables		1	1
Retirement benefit surplus	13	120	45
		<b>1 746</b>	<b>1 490</b>
<b>Current assets</b>			
Inventories		441	389
Trade and other receivables		291	301
Current tax assets		1	3
Available-for-sale financial assets		–	4
Derivative financial instruments		31	43
Cash and cash equivalents	11	261	317
Assets classified as held for sale	8	–	7
		<b>1 025</b>	<b>1 064</b>
<b>TOTAL ASSETS</b>		<b>2 771</b>	<b>2 554</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		117	117
Share premium		406	406
Capital redemption reserve		8	8
Other reserves		253	127
Retained earnings		548	370
Equity attributable to owners of the Company		<b>1 332</b>	<b>1 028</b>
Non-controlling interests		–	1
<b>TOTAL EQUITY</b>		<b>1 332</b>	<b>1 029</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables		10	13
Borrowings	11	604	556
Derivative financial instruments		37	19
Deferred tax liabilities		25	21
Retirement benefit deficit	13	259	253
Provisions for other liabilities and charges		17	13
		<b>952</b>	<b>875</b>
<b>Current liabilities</b>			
Trade and other payables		315	337
Current tax liabilities		57	66
Borrowings and bank overdrafts	11	88	200
Derivative financial instruments		17	22
Provisions for other liabilities and charges		10	23
Liabilities classified as held for sale	8	–	2
		<b>487</b>	<b>650</b>
<b>TOTAL LIABILITIES</b>		<b>1 439</b>	<b>1 525</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 771</b>	<b>2 554</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March	
		2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		233	126
Adjustments for:			
Depreciation of property, plant and equipment		109	80
Amortisation of intangible assets		40	35
Share-based payments		21	9
Exceptional items	5	(5)	17
Finance income	6	(2)	(1)
Finance expense	6	34	30
Share of profit after tax of joint ventures and associates		(32)	(28)
Changes in working capital and other non-cash movements		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
<b>Cash flows from investing activities</b>			
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		3	–
Acquisition of businesses, net of cash acquired	16	–	(54)
Disposal of joint ventures	16	–	240
Purchase of available-for-sale financial assets		(4)	(4)
Disposal of available-for-sale financial assets		4	18
Interest received		2	1
Dividends received from joint ventures and associates		29	83
Net cash (used in)/from investing activities		(114)	86
<b>Cash flows from financing activities</b>			
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	10	(130)	(130)
Net cash used in financing activities		(272)	(166)
<b>Net (decrease)/increase in cash and cash equivalents</b>	11	<b>(88)</b>	108
<b>Cash and cash equivalents:</b>			
Balance at beginning of year		317	195
Net (decrease)/increase in cash and cash equivalents		(88)	108
Currency translation differences		32	14
<b>Balance at end of year</b>	11	<b>261</b>	317

A reconciliation of the movement in cash and cash equivalents to the movement in net debt is presented in Note 11.

## 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 10)	–	–	–	(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 10)	–	–	–	(130)	(130)	–	(130)
<b>At 31 March 2017</b>	<b>523</b>	<b>8</b>	<b>253</b>	<b>548</b>	<b>1 332</b>	<b>–</b>	<b>1 332</b>

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 1. Background

The financial information on pages 16 to 44 is extracted from the Group's consolidated financial statements for the year ended 31 March 2017, which were approved by the Board of Directors on 24 May 2017.

The financial information does not constitute statutory accounts within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union.

The Company's auditors, PricewaterhouseCoopers LLP, have given an unqualified report on the consolidated financial statements for the year ended 31 March 2017. The auditors' report did not include reference to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders on 27 July 2017 at the Company's Annual General Meeting.

### 2. Basis of preparation

#### Basis of accounting

The Group's consolidated financial statements for the year ended 31 March 2017 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 of 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 will be set out in Notes 2 and 3 of the Group's 2017 Annual Report.

#### Changes in accounting policy and disclosures

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.

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:

- 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.

- 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.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 2. Basis of preparation (continued)

#### Changes in accounting policy and disclosures (continued)

– 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.

#### Seasonality

The Group's principal exposure to seasonality is in relation to working capital. The Group's inventories are subject to seasonal fluctuations reflecting crop harvesting and purchases. Inventory levels typically increase progressively from September to November and gradually reduce in the first six months of the calendar year.

#### 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. Reconciliations of the movement in constant currency have been included in the additional information within this document.

#### 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 3.

#### Exceptional items

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.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 2. Basis of preparation (continued)

#### 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. 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 Pensions 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.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 3. Reconciliation of alternative performance measures

For the reasons set out in Note 2, 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; and
- 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 <b>Continuing operations</b>	Year ended 31 March 2017			Year ended 31 March 2016		
	IFRS Reported	Adjusting items	Adjusted Reported	IFRS Reported	Adjusting items	Adjusted Reported
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	55.0p	(7.2p)	47.8p	26.1p	8.6p	34.7p
Diluted earnings per share	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:

<b>Continuing operations</b>	Notes	Year ended 31 March	
		2017 £m	2016 £m
Exceptional items in operating profit	5	19	50
Amortisation of acquired intangible assets		12	11
Total excluded from adjusted operating profit		31	61
Net retirement benefit interest	6	7	6
Total excluded from adjusted profit before tax		38	67
Tax on adjusting items	7	(6)	(27)
Exceptional deferred tax credits	5, 7	(65)	–
Total excluded from adjusted profit attributable to owners of the Company		(33)	40



# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 3. Reconciliation of alternative performance measures (continued)

The Group also presents two alternative cash flow measures which are defined as follows:

- (a) 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.
- (b) 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	2016*
	£m	£m
<b>Adjusted operating profit from continuing operations</b>	<b>264</b>	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)
<b>Adjusted free cash flow</b>	<b>174</b>	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)
<b>Adjusted operating cash flow</b>	<b>273</b>	124

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

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2017**

**3. Reconciliation of alternative performance measures (continued)**

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 table presents the calculation of these alternative measures:

	31 March		
	2017	2016	2015
	£m	£m	£m
<b>Calculation of Net debt to EBITDA ratio – on a financial covenant basis</b>			
Net debt (see Note 11)	452	434	
Further adjustments set out in financial covenants:			
to reflect use of average exchange rates in translating net debt	(13)	(11)	
<b>Net debt – on a financial covenant basis</b>	<b>439</b>	<b>423</b>	
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	
<b>Pre-exceptional EBITDA</b>	<b>470</b>	<b>345</b>	
<b>Net debt to EBITDA ratio (times)</b>	<b>0.9</b>	<b>1.2</b>	
<b>Calculation of interest cover ratio – on a financial covenant basis</b>			
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	
<b>Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis</b>	<b>328</b>	<b>235</b>	
Adjusted net finance expense	25	23	
Further adjustments set out in financial covenants:			
to reflect proportionate consolidation	–	–	
Other	(1)	(1)	
<b>Net finance expense – on a financial covenant basis</b>	<b>24</b>	<b>22</b>	
<b>Interest cover ratio (times)</b>	<b>13.9</b>	<b>10.7</b>	
<b>Calculation of return on capital employed</b>			
Adjusted operating profit	264	188	
Add back amortisation on acquired intangible assets	(12)	(11)	
<b>Profit before interest, tax and exceptional items from continuing operations for ROCE</b>	<b>252</b>	<b>177</b>	
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
<b>Invested operating capital of continuing operations</b>	<b>1 856</b>	<b>1 668</b>	<b>1 460</b>
<b>Average invested operating capital</b>	<b>1 762</b>	<b>1 564</b>	
<b>Return on capital employed (ROCE) %</b>	<b>14.3</b>	<b>11.3</b>	

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 4. Segment information

Segment information is presented on a basis consistent 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 sub-total 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 5.

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 and results

	Notes	Year ended 31 March	
		2017 £m	2016 £m
<b>Sales</b>			
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>Adjusted operating profit – continuing operations</b>			
Speciality Food Ingredients		181	150
Bulk Ingredients		129	84
Central		(46)	(46)
<b>Adjusted operating profit – continuing operations</b>		264	188
Adjusting items:			
– exceptional items	5	(19)	(50)
– amortisation of acquired intangible assets		(12)	(11)
Operating profit – continuing operations		233	127
Finance income	6	2	1
Finance expense	6	(34)	(30)
Share of profit after tax of joint ventures and associates		32	28
Profit before tax – continuing operations		233	126
Profit before tax – discontinued operations	8	1	47
Profit before tax – total operations		234	173

TATE & LYLE PLC

NOTES TO THE FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2017

4. Segment information (continued)

(a) Segment sales and results (continued)

	Year ended 31 March	
	2017	2016
	%	%
<b>Adjusted operating margin</b>		
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%

(b) Segment assets/(liabilities)

	At 31 March 2017		
	Assets £m	Liabilities £m	Net £m
<b>Net working capital</b>			
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
<b>Net working capital</b>			
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

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 5. Exceptional items

Exceptional items recognised in arriving at operating profit were as follows:

	Footnotes	Year ended 31 March	
		2017 £m	2016 £m
<b>Continuing operations</b>			
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
<b>Exceptional items – continuing operations*</b>		<b>(19)</b>	<b>(50)</b>
<b>Discontinued operations</b>			
Business re-alignment – Eaststarch and Morocco disposals	(h)	1	64
ASR litigation settlement	(i)	–	(18)
<b>Exceptional items – discontinued operations</b>		<b>1</b>	<b>46</b>
<b>Exceptional items – total operations</b>		<b>(18)</b>	<b>(4)</b>

\* Net tax on exceptional items within continuing operations was £nil (2016 – £21 million net credit).

In addition, the following exceptional tax items were recognised in the current and comparative year:

	Footnotes	Year ended 31 March	
		2017 £m	2016 £m
<b>Continuing operations</b>			
Recognition of UK tax losses	(j)	34	–
Sucralose IP transfer	(k)	31	–
<b>Exceptional deferred tax credit – continuing operations</b>		<b>65</b>	<b>–</b>
<b>Discontinued operations</b>			
Moroccan tax matters	(l)	–	(5)
<b>Exceptional tax charge – discontinued operations</b>		<b>–</b>	<b>(5)</b>
<b>Exceptional tax credit/(charge) – total operations</b>		<b>65</b>	<b>(5)</b>

### 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 this 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.

## TATE & LYLE PLC

### NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

#### 5. Exceptional items (continued)

##### Continuing operations – within operating profit (continued)

- (b) In the year ended 31 March 2017, the Group recognised a net £13 million exceptional charge in respect of its Brazilian Food Systems business, 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 significantly weakened 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) During 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 a £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 14 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 net 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.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 5. Exceptional items (continued)

#### Discontinued operations – within operating profit

- (h) 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. 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 16). 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.

- (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 taxation 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 taxation 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

	Footnotes	Year ended 31 March	
		2017 £m	2016 £m
<b>Net cash outflow on exceptional items:</b>			
<b>Continuing operations</b>			
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)
<b>Net cash outflow – exceptional items</b>		<b>(24)</b>	<b>(33)</b>
Income statement charge – included in profit before tax		19	50
<b>Adjustment for: exceptional items – per cash flow statement</b>		<b>(5)</b>	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.

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2017**

**6. Finance income and finance expense**

	Note	Year ended 31 March	
		2017 £m	2016 £m
<b>Continuing operations</b>			
<b>Net finance expense</b>			
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	13	(7)	(6)
Unwinding of discount on liabilities		(1)	(1)
<b>Finance expense</b>		<b>(34)</b>	<b>(30)</b>
<b>Finance income</b>		<b>2</b>	<b>1</b>
<b>Net finance expense</b>		<b>(32)</b>	<b>(29)</b>
<b>Reconciliation to adjusted net finance expense</b>			
Net finance expense		(32)	(29)
Net retirement benefit interest		7	6
<b>Adjusted net finance expense – continuing operations</b>	<b>3</b>	<b>(25)</b>	<b>(23)</b>

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.



# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 7. Income tax expense

	Year ended 31 March		
	2017	2016	
	£m	£m	
<b>Continuing operations</b>			
Current tax:			
– United Kingdom	–	–	
– 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)	22	(5)	
<b>Reconciliation to adjusted income tax expense – continuing operations</b>	Note	£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	5	(65)	–
Adjusted income tax expense – continuing operations	3	(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 5.

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 Group had tax losses of £508 million at 31 March 2017 (2016 – £753 million) for which no deferred tax has been recognised as there is uncertainty as to whether taxable profits against which these assets may be recovered, will be available.

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. Tax legislation in the countries the Group operates in, notably the US is subject to increased levels of geopolitical uncertainty. Further changes in tax legislation could have a material impact on the Group's tax charge and/or the amount of deferred tax recognised in future accounting periods.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 8. Discontinued operations and assets classified as held for sale

The discontinued operations of the Group are disclosed in Note 2.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

Discontinued operations	Notes	Year ended 31 March 2017	
		Eaststarch / Morocco	Total Discontinued
		£m	
Sales	4		3
Operating profit including exceptional items			1
Profit for the year – discontinued operations			1
Basic and diluted earnings per share – discontinued operations	9		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 5).

Discontinued operations	Notes	Year ended 31 March 2016		
		Eaststarch / Morocco	Sugars / EU Starch	Total Discontinued
		£m	£m	£m
Sales	4	13	–	13
Operating profit/(loss) including exceptional items		65	(20)	45
Share of profit after tax of joint ventures and associates		2	–	2
Profit/(loss) before tax		67	(20)	47
Income tax charge (exceptional item)	5	(5)	–	(5)
Profit/(loss) for the year – discontinued operations		62	(20)	42
Basic earnings per share – discontinued operations	9			9.0p
Diluted earnings per share – discontinued operations	9			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 5). The £20 million loss relating to Sugars and EU Starch comprised the £18 million ASR charge as described in Note 5 and a £2 million Amylum UK Pension Scheme payment.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 8. Discontinued operations and assets classified as held for sale (continued)

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	
<b>Discontinued operations</b>		
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
<b>Discontinued operations</b>			
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)

### Assets classified as held for sale

There were no assets or liabilities classified as held for sale at 31 March 2017.

At 31 March 2016, the assets and liabilities of Tate & Lyle Morocco SA were classified as held for sale, 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 5).

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 9. 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 and 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. 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). 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	Continuing operations	Discontinued Operations	Total
Profit attributable to owners of the Company (£ million)	255	1	256	121	42	163
Weighted average number of ordinary shares (millions) – basic	464.1	464.1	464.1	464.3	464.3	464.3
Basic earnings per share	55.0p	0.2p	55.2p	26.1p	9.0p	35.1p
Weighted average number of ordinary shares (millions) – diluted	471.2	471.2	471.2	467.7	467.7	467.7
Diluted earnings per share	54.2p	0.2p	54.4p	25.9p	8.9p	34.8p

### 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:

Continuing operations	Notes	Year ended 31 March	
		2017 £m	2016 £m
Profit attributable to owners of the Company		255	121
Adjusting items:			
– exceptional items	5	19	50
– amortisation of acquired intangible assets		12	11
– net retirement benefit interest	6,13	7	6
– tax effect of the above adjustments	7	(6)	(27)
– exceptional deferred tax credits	5,7	(65)	–
Adjusted profit attributable to owners of the Company	3	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

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 10. Dividends on ordinary shares

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 on the Register of Members on 30 June 2017.

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. Total dividends paid during the year were £130 million (2016 – £130 million).

Dividends on ordinary shares in respect of the financial year:

	Year ended 31 March	
	2017 Pence	2016 Pence
Proposed in respect of the financial year:		
Interim	8.2	8.2
Final	19.8	19.8
	<b>28.0</b>	28.0
Paid in the financial year:		
Interim – in respect of the financial year	8.2	8.2
Final – in respect of the prior financial year	19.8	19.8
	<b>28.0</b>	28.0

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 11. Net debt

The components of the Group's net debt are as follows:

	At 31 March	
	2017	2016
	£m	£m
Non-current borrowings	<b>(604)</b>	(556)
Current borrowings and bank overdrafts	<b>(88)</b>	(200)
Debt-related derivative financial instruments	<b>(21)</b>	5
Cash and cash equivalents	<b>261</b>	317
<b>Net debt</b>	<b>(452)</b>	(434)

Debt-related derivative financial instruments represent the net fair value of currency and interest rate swaps that are used to manage the currency and interest rate profile of the Group's net debt. At 31 March 2017, the net fair value of these derivatives comprised assets of £17 million (2016 – £24 million) and liabilities of £38 million (2016 – £19 million).

Movements in the Group's net debt were as follows:

	Year ended 31 March	
	2017	2016
	£m	£m
Net debt at beginning of the year	<b>(434)</b>	(555)
(Decrease)/increase in cash and cash equivalents in the year	<b>(88)</b>	108
Net decrease in borrowings*	<b>124</b>	29
Fair value and other movements	<b>3</b>	(1)
Currency translation differences	<b>(57)</b>	(15)
(Increase)/decrease in net debt in the year	<b>(18)</b>	121
<b>Net debt at end of the year</b>	<b>(452)</b>	(434)

\* Where relevant, net change in borrowings includes repayments of capital elements of finance leases of £1 million (2016 - £4 million).

### 12. Investments in Joint Ventures

A reconciliation of the carrying amount of the Group's interest in joint ventures (at share) can be found in the below table:

	Year ended 31 March	
	2017	2016
	£m	£m
Investments in joint ventures at beginning of the year	<b>82</b>	323
Share of profit after tax of joint ventures – total operations	<b>32</b>	30
Disposal (including goodwill)	–	(177)
Dividends paid	<b>(29)</b>	(82)
Other comprehensive income/(expense) (including exchange)	<b>7</b>	(12)
<b>Investments in joint ventures at end of the year</b>	<b>92</b>	82

The disposal in the year ended 31 March 2016 reflects the re-alignment of the Group's interest in the Eaststarch joint venture.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 13. Retirement benefit obligations

At 31 March 2017, the net liability in respect of retirement benefits was £139 million (2016 – £208 million). The £69 million 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 reduced mortality rates, partially offset by a reduction in the discount rate used to discount future pension obligations. The movement in the net liability is analysed as follows:

	At 31 March 2017			At 31 March 2016		
	Pensions £m	Medical benefits £m	Total £m	Pensions £m	Medical benefits £m	Total £m
Present value of the benefit obligation	(1 693)	(76)	(1 769)	(1 568)	(66)	(1 634)
Fair value of plan assets	1 630	–	1 630	1 426	–	1 426
<b>Net liability</b>	<b>(63)</b>	<b>(76)</b>	<b>(139)</b>	<b>(142)</b>	<b>(66)</b>	<b>(208)</b>
Presented as:						
Deficits	(183)	(76)	(259)	(187)	(66)	(253)
Surpluses	120	–	120	45	–	45
<b>Net liability</b>	<b>(63)</b>	<b>(76)</b>	<b>(139)</b>	<b>(142)</b>	<b>(66)</b>	<b>(208)</b>

Changes in the net liability during the year are analysed as follows:

	Year ended 31 March 2017		
	Pensions £m	Medical benefits £m	Total £m
Net liability at 1 April 2016	(142)	(66)	(208)
(Increase)/decrease in the benefit obligation:			
– service cost - current	(2)	(1)	(3)
– plan administration costs	(3)	–	(3)
– interest on benefit obligation	(56)	(2)	(58)
– net actuarial loss	(105)	(1)	(106)
– benefits paid	120	4	124
– settlement gain (exceptional item – see Note 5)	9	–	9
– re-measurement of non-qualified deferred compensation arrangements	(2)	–	(2)
– currency translation differences	(86)	(10)	(96)
<b>Net increase in the benefit obligation</b>	<b>(125)</b>	<b>(10)</b>	<b>(135)</b>
Increase/(decrease) in the fair value of plan assets:			
– interest on plan assets	51	–	51
– actual return higher than interest on plan assets	179	–	179
– employer's contributions	38	4	42
– benefits paid	(120)	(4)	(124)
– currency translation differences	56	–	56
<b>Net increase in the fair value of plan assets</b>	<b>204</b>	<b>–</b>	<b>204</b>
<b>Net liability at 31 March 2017</b>	<b>(63)</b>	<b>(76)</b>	<b>(139)</b>

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.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 14. 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 8 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 9 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.

### 15. Capital expenditure and commitments

In the year ended 31 March 2017, there were additions to intangible assets (excluding goodwill and acquired intangibles) of £26 million (2016 – £19 million) and additions to property, plant and equipment of £128 million (2016 – £175 million).

Commitments at the balance sheet date were as follows:

	At 31 March	
	2017	2016
	£m	£m
Commitments for the purchase of intangible assets	–	1
Commitments for the purchase of property, plant and equipment	25	47
Total commitments	25	48

### 16. 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. 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 investment.

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 in respect of impairing and deconsolidating the entity prior to disposal, and the associated costs of exiting (see Note 5).



# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 16. Acquisitions and disposals (continued)

#### Eaststarch re-alignment

##### Update in the 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 requires 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 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 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 outlined below.

##### Acquisition of Amylum Slovakia s.r.o.

As noted above, 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.

## TATE & LYLE PLC

### NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

#### 16. Acquisitions and disposals (continued)

The following tables provide a summary of the acquisition accounting:

	Year ended 31 March 2016 £m
Consideration	56
Non cash consideration (fair value of existing interest in Slovakian joint venture)	56
Purchase price adjustments	3
<b>Total consideration</b>	<b>115</b>
Less: fair value of net assets acquired	(80)
<b>Provisional goodwill at 31 March 2016</b>	<b>35</b>
<b>Cash flows:</b>	
Total cash consideration (including purchase price adjustments)	(59)
Less: net cash and working capital adjustments	5
<b>Acquisition of business, net of cash acquired</b>	<b>(54)</b>

The fair value of net assets acquired was comprised as follows:

	Book value on acquisition £m	Fair value Adjustments £m	At 31 March 2016 £m
Intangible assets (customer relationships £20m, distribution agreement £9m)	–	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)
<b>Net assets on acquisition</b>	<b>58</b>	<b>22</b>	<b>80</b>

\*Subsequently re-measured in year ended 31 March 2017; see update earlier in this note.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 16. 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	Total £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	5	5	68	73
<b>Cash flows:</b>				
Disposal of joint ventures				240
Transaction costs (within exceptional cash outflow)				(4)
Net cash inflow on disposal				236
<b>Exceptional gain on re-measurement/disposal reported as follows:</b>				
Re-measurement of interest in Slovakia – continuing operations	5			5
Disposal of other Eaststarch joint ventures – discontinued operations	5			68
Total gain on re-measurement/disposal – exceptional items				73

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

### 17. Related party disclosures

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 will be disclosed in the Group's 2017 Annual Report. 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 16.

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.

### 18. Foreign 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 =
<b>Average foreign exchange rates</b>		
US dollar	1.30	1.51
Euro	1.19	1.37

  

	At 31 March	
	2017 £1 =	2016 £1 =
<b>Year end foreign exchange rates</b>		
US dollar	1.25	1.44
Euro	1.17	1.26

### 19. Events after the reporting period

There were no post balance sheet events requiring disclosure in respect of the year ended 31 March 2017.

# TATE & LYLE PLC

## 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.

<b>Adjusted performance</b>	<b>2017</b>	<b>FX</b>	<b>2017</b>	<b>Underlying</b>	<b>2016</b>	<b>Change</b>	<b>Change in</b>
<b>Continuing operations</b>	<b>£m</b>	<b>£m</b>	<b>at constant</b>	<b>growth</b>	<b>£m</b>	<b>%</b>	<b>constant</b>
			<b>currency</b>	<b>£m</b>			<b>currency</b>
			<b>£m</b>				<b>%</b>
Sales	<b>2 753</b>	(361)	2 392	37	2 355	17%	2%
Speciality Food Ingredients	<b>181</b>	(23)	158	8	150	21%	5%
Bulk Ingredients	<b>129</b>	(18)	111	27	84	54%	32%
Central	<b>(46)</b>	(1)	(47)	(1)	(46)	–	(1%)
Adjusted operating profit	<b>264</b>	(42)	222	34	188	40%	18%
Adjusted net finance expense	<b>(25)</b>	3	(22)	1	(23)	(9%)	2%
Share of profit after tax of joint ventures and associates	<b>32</b>	(1)	31	3	28	16%	13%
Adjusted profit before tax	<b>271</b>	(40)	231	38	193	40%	20%
Adjusted income tax expense	<b>(49)</b>	7	(42)	(10)	(32)	(55%)	(33%)
Adjusted profit after tax	<b>222</b>	(33)	189	28	161	37%	17%
Adjusted diluted EPS (pence)	<b>47.1p</b>	(7.0p)	40.1p	5.6p	34.5p	37%	16%

**TATE & LYLE PLC**  
**ADDITIONAL INFORMATION**

**RATIO ANALYSIS**

	31 March 2017	31 March 2016
<b>Net debt to EBITDA – on financial covenant basis</b>		
= <u>Net debt</u>	<b>439</b>	<u>423</u>
Pre-exceptional EBITDA	<b>470</b>	345
	<b>= 0.9 times</b>	= 1.2 times
<b>Interest cover – on financial covenant basis</b>		
= <u>Operating profit before exceptional items and amortisation of intangible assets</u>	<b>328</b>	<u>235</u>
Net finance expense	<b>24</b>	22
	<b>= 13.9 times</b>	= 10.7 times
<b>Earnings dividend cover</b>		
= <u>Adjusted basic earnings per share from continuing operations</u>	<b>47.8</b>	<u>34.7</u>
Dividend per share	<b>28.0</b>	28.0
	<b>= 1.7 times</b>	= 1.2 times
<b>Cash dividend cover</b>		
= <u>Adjusted free cash flow from continuing operations</u>	<b>174</b>	<u>53</u>
Cash dividends	<b>130</b>	130
	<b>= 1.3 times</b>	= 0.4 times
<b>Return on capital employed</b>		
= <u>Profit before interest, tax and exceptional items from continuing operations</u>	<b>252</b>	<u>177</u>
Average invested operating capital of continuing operations	<b>1 762</b>	1 564
	<b>= 14.3%</b>	= 11.3%
<b>Adjusted operating cash flow</b>	<b>273</b>	124*
<b>Gearing</b>		
= <u>Net debt</u>	<b>452</b>	<u>434</u>
Total equity	<b>1 332</b>	1 029
	<b>= 34%</b>	= 42%

\* Restated to reflect exclusion of operating post-retirement benefit costs (see Note 3)

**Note:**

All ratios are calculated based on unrounded figures in £ million. Net debt to EBITDA, interest cover, Adjusted Free cash flow, Adjusted operating cash flow, Average invested operating capital and return on capital employed are defined and reconciled in Note 3 of the attached financial information. Gearing is prepared using equity accounted net debt and total equity from the consolidated statement of financial position.