TATE & LYLE

FULL-YEAR RESULTS

For the year ended 31 March 2020

	Adjusted results[1]			Statutory results		
	2020	2019	**vs 2019**	**2020**	2019	**vs 2019**
Revenue	**£2 882m**	£2 755m	**+2%**			**+5%**
Profit before tax (PBT)	**£331m**	£309m	**+4%**	**£296m**	£240m	**+23%**
Diluted earnings per share	**57.8p**	52.0p	**+8%**	**52.1p**	38.6p	**+35%**
Free cash flow[2]	**£247m**	£212m	**+£35m**			
Net debt[2]	**£451m**	£337m				
Dividend per share				**29.6p**	29.4p	**+0.7%**

Movements in adjusted results are shown in constant currency throughout this statement

Key highlights

- Year of strong performance
  - Food & Beverage Solutions delivered strong revenue and double-digit profit[3] growth
  - Sucralose profit[3] slightly ahead
  - Primary Products profit[3] higher despite challenging market conditions
- Priorities to 'Sharpen, Accelerate and Simplify' underpinning performance
- Productivity programme increased from US$100m over 4 years to US$150m over 6 years
- Strong balance sheet and access to over US$1billion in available liquidity
- New commitments for living our Purpose including ambitious sustainability targets

Financial highlights

- +10% increase in Food & Beverage Solutions profit[3] to £162m; +1% volume; +5% revenue
- +1% increase in Sucralose profit[3] to £63m
- +3% increase in Primary Products profit[3] to £158m with Sweeteners & Starches +1%, Commodities +17%
- +23% increase in Group statutory profit before tax due to lower exceptional costs
- +4% increase in adjusted profit before tax
- +8% increase in adjusted diluted EPS benefitting from lower effective tax rate of 17.9% (2019: 21.0%)
- +£35m higher adjusted free cash flow at £247m; Net debt / EBITDA ratio 0.9x
- +40bps improvement in return on capital employed to 17.5%
- Final dividend unchanged at 20.8p, making a full-year dividend of 29.6p, up 0.7%

Covid-19 and trading in April 2020

- Measures in place to protect employees, keep operations running and serve customers
- Actions taken in March to reduce costs, preserve cash and maintain financial strength
- Food & Beverage Solutions volume in line with comparative period; Sucralose volume 18% higher
- Primary Products bulk sweetener volume 26% lower; industrial starch volume 9% lower

1 The adjusted results for the year ended 31 March 2020 have been adjusted to exclude exceptional items, amortisation of acquired intangible assets and the tax on those adjustments. A reconciliation of statutory and adjusted information is included in Note 3 to the Financial Information. Growth percentages are calculated on unrounded numbers. Changes in adjusted performance metrics are in constant currency.

2 IFRS 16 Leases adoption increased net debt by £162 million at 31 March 2020 and adjusted free cash flow by £34 million. Comparatives have not been restated.

3 Adjusted operating profit

NICK HAMPTON, CHIEF EXECUTIVE, SAID:

"This has been another year of consistent delivery. We made good progress executing our strategy with strong revenue and profit growth from Food & Beverage Solutions and profit growth from Primary Products in more challenging markets.

Food & Beverage Solutions delivered revenue growth in each region with revenue from New Products 15% higher. Operational execution was excellent and our three priorities to 'Sharpen, Accelerate and Simplify' the business continued to support performance. Customer focus was sharper, our innovation delivered strong growth and we delivered productivity ahead of target. Our culture is enabling us to move with greater pace and agility and we entered the new financial year with real momentum.

Our purpose of Improving Lives for Generations drives what we do and today we are announcing ambitious new commitments to help support healthy living, build thriving communities and care for our planet.

I am very proud of the way we have responded to the unprecedented challenges of Covid-19. Our purpose has been at the heart of our response, ensuring we care for our colleagues, their families and local communities as well as playing our part in supporting the food supply chain. Throughout the pandemic, we have continued to work very closely with our customers and support them as they have adapted to a rapidly changing operating environment. I want to thank all my colleagues for their extraordinary commitment, courage and agility in the face of Covid-19, and for truly living our purpose during these most difficult of times.

At the start of our 2021 financial year, with lockdowns in the US and Europe, trading in April was mixed. Food & Beverage Solutions performed well in the month but reduced out-of-home consumption in the US significantly impacted Primary Products. As the length and extent of the pandemic remains uncertain, we are not issuing guidance for the year ending 31 March 2021. To keep all stakeholders informed of our progress during these uncertain times, we will issue an exceptional first quarter trading update on 23 July 2020.

In the year ahead our priorities are clear – to look after our people and communities, strengthen our relationships with customers, continue to progress our strategy and maintain our financial strength.

Tate & Lyle is a resilient business that meets challenges head-on. The fundamentals of our business remain sound despite the challenges of Covid-19. Our high-quality portfolio of ingredients and solutions enable consumers to enjoy healthier and tastier food products and drinks. Demand for these products is growing and this trend is here to stay. Combined with our financial strength, this gives me confidence we will navigate this period successfully and that our future prospects remain strong."

21 May 2020

COVID-19

In March, as the Covid-19 pandemic was unfolding, a Global Pandemic Response Team was formed to develop, co-ordinate and execute our plans, and local response teams formed at every site to oversee the safety of our people and ensure business continuity. We implemented an extensive customer and employee communication programme, and held a daily meeting of senior management, chaired by our Chief Executive, to ensure we moved quickly and decisively.

In responding to the pandemic, our priorities are to look after the health, safety and wellbeing of our colleagues, their families and our local communities, keep our operations running and serve our customers.

People and communities

A key pillar of our purpose is to look after our people and support the communities in which we operate. Examples of our Covid-19 initiatives include:

People
- Hygiene protocols in place at all facilities and labs including sanitisation, hand washing and face masks
- Reduced shift teams with no physical meetings between shifts
- Restructured work areas to ensure social distancing, and closed social and canteen areas
- Training programmes provided for colleagues on health protection and sanitisation protocols
- Full pay for colleagues ill with Covid-19 or in isolation
- Special cash bonus paid to front-line workers in plants, labs and other key sites
- Programme to keep colleagues working from home connected and productive during lockdown
- Initiatives to look after colleagues' mental health and wellbeing
- Extensive internal communications programme.

Communities
- Supporting 20+ food banks globally to provide around 500,000 meals for people in need in our communities
- Reformulated ethanol in the US for use in hand sanitiser
- Donated PPE and hand sanitiser to front-line health workers.

Operations and customers

All our manufacturing facilities have remained fully operational during the pandemic and customer orders continue to be fulfilled often at very short notice. Our operations and customer-facing teams have adapted quickly to a new working environment and our response has included:

Operations
- Modified demand planning process to meet customer needs
- Operating highly flexible supply chain
- Regular supplier and customer communications
- New procedures to enable key capital projects to continue in a Covid-19 environment
- Virtual assessment of safety performance to maintain momentum of global safety programme.

Customers
- Increased connectivity utilising digital technology
- Webinars and/or video sessions with customers to drive new and existing innovation projects
- Virtual tasting sessions where prototypes are sent to customers in advance and discussed over a video link
- Remote product training sessions
- Videos showcasing expertise in high demand categories (e.g. sauces for home cooking).

Our focus remains on keeping our operations running and staying close to our customers so we can adapt quickly and effectively to their changing demand needs.

Trading in April 2020

As we stated in our trading update on 4 May 2020, trading in March showed limited impact from the Covid-19 pandemic. However, the imposition of lockdowns in many countries throughout April, most notably in our largest markets of the US and Europe, led to significant changes in demand patterns for our products.

Food & Beverage Solutions and Sucralose

Food & Beverage Solutions and Sucralose continued to perform well with volume for Food & Beverage Solutions in line with the comparative period and Sucralose 18% higher due to phasing of customer orders. Early in the month, demand was strong for ingredients used in packaged and shelf-stable foods as consumers in North America and Europe filled their pantries for consumption at home. As the month progressed, this was offset by lower demand for products consumed out-of-home, such as in the food service sector in North America.

Primary Products

Primary Products volume was significantly impacted by the first full month of lockdown in the US. Bulk sweetener volume was 26% lower from reduced out-of-home consumption as bars, cinemas, restaurants and sporting events were either shut or cancelled. Industrial starch volume was 9% lower reflecting reduced demand for paper and packaging following the closure of schools, offices and a decline in economic activity. Commodities were also impacted as ethanol prices decreased sharply.

Actions to reduce costs and preserve cash

The financial impact of lower demand was partially mitigated by actions taken in March to reduce costs and preserve cash as we saw the pandemic unfolding. These include:

- Freezing all discretionary salary increases
- Stopping non-essential discretionary spend
- Halting recruitment of all but essential new staff
- Reprioritising capital commitments
- Careful management of receivables.

No employees have been furloughed and no government aid sought.

Strong balance sheet

The strength of our balance sheet means we are well-placed to manage through this challenging period:

- Low leverage with net debt / EBITDA ratio of 0.9x at 31 March 2020 (0.6x on a covenant basis)
- Strong liquidity headroom with access to more than US$1 billion through cash on hand and a committed and undrawn revolving credit facility
- Significant covenant headroom on borrowings (Covenant: net debt / EBITDA not greater than 3.5x)
- No debt maturity until 2023.

We also benefited from actions taken over the past 12 months to further strengthen and de-risk our balance sheet. In September, we supported the trustees of our main UK pension scheme in completing a £930 million bulk annuity insurance 'buy-in' of the scheme without incremental funding by the Group. This will create an annual cash benefit of £20 million from our 2021 financial year. In November 2019, we drew down US$200 million of long-term debt and refinanced a maturing debt facility at lower cost.

After the end of the financial year, in May 2020, we extended the maturity of our committed but undrawn US$800 million revolving credit facility by one year to 2025 and priced a US$200 million debt private placement at an average coupon of 2.96%.

Looking ahead

The length and depth of the impact of the pandemic remains uncertain and is expected to vary by country. It is also difficult at this stage to predict how consumer behaviour will evolve as countries exit from lockdown. As a result, we are not issuing guidance for the year ending 31 March 2021. To keep all stakeholders informed of our progress during these uncertain times, we will issue an exceptional first quarter trading update on 23 July 2020.

In the year ahead our priorities are clear – to continue to look after our people and communities, strengthen our relationships with customers, continue to progress our strategy and maintain our financial strength. We will also look to adapt to, and embrace, the new business environment and ways of working. With the momentum we have built over the last two years, our high-quality product portfolio, the attractive markets we operate in, the skill of our people and our strong operating capabilities, we are well-placed to emerge from this period as an even stronger and more agile business.

NEW COMMITMENTS TO LIVE OUR PURPOSE

Tate & Lyle's purpose is Improving Lives for Generations. Our people believe passionately that, through our purpose, we can successfully grow our business and have a positive impact on society. We live our purpose through three pillars and, with the onset of Covid-19, these have never been more important. Firstly, we support healthy living by using our ingredients and expertise to help people make healthier and tastier choices when they eat and drink, and lead a more balanced lifestyle. Secondly, we help build thriving communities where we operate and support people to achieve their potential. Thirdly, we care for the planet we live on and help protect its natural resources for the benefit of future generations.

Our purpose touches all parts of our business and drives what we do. For example, this year, in support of our Caring for our Planet pillar, we announced a multi-year partnership with Truterra™ (formerly Land O' Lakes SUSTAIN™), a US conservation solutions provider, to support sustainable agriculture practices on 1.5 million acres of US-grown corn. This is equivalent to every single acre of corn we buy globally each year. We are also constructing a new natural-gas fired combined heat and power system at our Lafayette South corn wet-mill in Indiana. This US$75 million investment will deliver significant improvements in energy and operational efficiency and substantially reduce greenhouse gas emissions.

But we want to do more. This led us to consider which of the 17 UN Sustainable Development Goals are closest to our Purpose and determined these to be: Zero Hunger; Good Health and Wellbeing; Gender Equality; Responsible Consumption and Production; and Climate Action. From this, we have developed a set of new, ambitious commitments for each pillar of our purpose as follows:

Supporting Healthy Living

- By 2025, we will have helped improve the lives of over 250,000 people by supporting programmes that promote healthier lifestyles and activities.
- By 2025, through our no/low calorie sweeteners and fibres, we will have helped remove 9 million tonnes of sugar from people's diets, equivalent to 36 trillion calories.
- By 2025, we will have helped our colleagues improve how they look after their physical and mental wellbeing so they can be their best at work and in their daily lives.

Building Thriving Communities

- By 2025, we will achieve gender parity in leadership roles.
- By 2025, we will have provided over 3 million nutritious meals for people in need.
- By 2025, we will have supported the education of over 100,000 children and students through learning programmes and grants and helped them attain skills for life.

Caring for our Planet

- By 2030, we will deliver 30% absolute reduction in Scope 1 and 2 CO_2e emissions, with an ambition to reach 20% reduction by 2025.
- By 2030, we will deliver 15% absolute reduction in Scope 3 CO_2e emissions.
- Our Scope 1 and 2 and 3 CO_2e reduction targets will be established as Science-Based Targets.
- By 2025, we will eliminate coal from all our operations.
- By 2030, 100% of our waste will be beneficially used, with a target to reach 75% by 2025.
- By 2030, we will reduce water use by 15%.
- We will maintain sustainable acreage equivalent to the volume of corn we buy globally each year, currently 1.5 million acres, and through partnerships accelerate the adoption of conservation practices.

We will measure our progress against each of these targets in our Annual Report each year.

We demonstrated our commitment to our new environmental targets by linking the pricing of our US$800 million revolving credit facility, extended in May 2020, to the delivery of our new Scope 1 and 2 CO_2e emissions, water use and waste reduction targets.

THREE PRIORITIES SUPPORTING PERFORMANCE

Our three priorities launched in May 2018 continue to support business performance.

Sharpen the focus on our customers

We continue to seek new ways to collaborate with customers. During the year, we held our first two-day Fibre Symposium for around 50 customers at our Innovation Centre in Chicago, as well as a two-day sugar-reduction event in Shanghai with more than 80 customers. We held workshops in Singapore, Malaysia and Vietnam bringing together customers, academia, trade associations and NGOs with our technical experts, to look at ways to drive thinking on healthier food and drink, and how our ingredients can be used to tackle growing levels of obesity, diabetes and digestive health concerns.

In October, we opened a new office and expanded lab in Sao Paulo, Brazil, and a further expansion of our application lab in Singapore. Both will allow us to collaborate more closely with customers and help them develop products to meet increasing consumer demand for healthier, tastier food and beverages.

At the end of the year, we simplified our customer teams in both divisions to make them more agile, drive faster decision making and get closer to customers in their local markets.

Accelerate portfolio development

New Product sales were 15% higher in constant currency with progress across our three ingredient platforms. We launched 11 new products during the year including CLARIA EVERLAST®, a clean-label starch delivering superior shelf stability which helps to preserve food quality in frozen products.

Our stevia solutions continue to grow strongly with sales up 23% from increased consumer demand for reduced sugar and clean-label solutions. We have appointed dedicated stevia commercial business development leads in each region as well as a global Stevia General Manager to accelerate growth working closely with our partner, Sweet Green Fields.

In February, Primary Products entered the personal care category in North America with TEXTURLUX® Personal Care Additives, a range of bio-based specialty polymers for skin, hair and sun care applications. This is an example of our strategy to diversify product mix by moving into new and growing end-markets.

We also expanded our global open innovation network. Through our partnership with TERRA, a leading Food & Agriculture Incubator, we announced a new partnership and investment in Zymtronix, a developer of revolutionary enzyme immobilisation technologies.

Simplify our business

In May 2018, we announced a programme to deliver US$100 million of productivity benefits over four years. This programme is ahead of expectations having delivered US$87 million of productivity benefits in the first two years. These benefits have come from a wide of range of areas including capital investments to reduce energy costs, efficiency improvements in our supply chain, simplifying the organisation, implementation of zero-based budgeting, and new systems and processes to automate and accelerate decision making.

As we continue to identify additional savings opportunities, we are extending the programme by US$50 million and two years so that it delivers a total of US$150 million over a six-year period ending 31 March 2024. The total cash exceptional cost to deliver the programme has increased from around US$40 million to around US$75 million.

SEGMENTAL OPERATING PERFORMANCE

Year ended 31 March 2020	Volume change	Revenue	Revenue growth	Adjusted operating profit	Adjusted operating profit change
North America	+2%	£470m	+6%	-	-
Asia Pacific and Latin America	+1%	£214m	+7%	-	-
Europe, Middle East and Africa	(1%)	£258m	+1%	-	-
Food & Beverage Solutions	**1%**	**£942m**	**+5%**	**£162m**	**+10%**
Sucralose	**(4%)**	**£161m**	**(4%)**	**£63m**	**+1%**
Sweeteners and Starches	-	-	-	£133m	+1%
Commodities	-	-	-	£25m	+17%
Primary Products	**(2%)**	**£1 779m**	**+2%**	**£158m**	**+3%**
Central costs				£(52)m	(9%)
Total Group		**£2 882m**	**+2%**	**£331m**	**+5%**

The adjusted results for the year ended 31 March 2020 have been adjusted to exclude exceptional items, amortisation of acquired intangible assets and the tax on those adjustments. A reconciliation of statutory and adjusted information is included in Note 3 to the Financial Information. Growth percentages are calculated on unrounded numbers. Changes in revenue and adjusted operating profit are in constant currency.

FOOD & BEVERAGE SOLUTIONS

Strong revenue and profit growth

Volume was 1% higher while revenue increased by 5% in constant currency to £942 million from good price and mix management, as well as the impact of passing through higher net corn costs. Adjusted operating profit was 10% higher in constant currency with good revenue growth, cost discipline and operating leverage. Operating margin increased by 110 basis points to 17.2%. The effect of currency translation was to increase revenue by £11 million and adjusted operating profit by £5 million.

North America

Top-line momentum continued with volume up 2% and revenue up 6% in constant currency to £470 million, with good progress across a range of categories notably beverage, dairy, bakery and nutrition. While growth in the overall US food and beverage market remained largely flat, we continued to see strong customer demand in beverage, dairy, bakery and nutrition, particularly to deliver sugar and calorie reduction in packaged and shelf-stable foods.

Asia Pacific and Latin America

Volume increased by 1%. Revenue increased by 7% in constant currency to £214 million with mid-single digit growth in Asia Pacific and double-digit growth in Latin America. In Asia Pacific, revenue growth softened in the second half as demand across China weakened in the face of the Covid-19 pandemic, while growth remained firm in South East Asia, particularly in dairy and soups, sauces and dressings. In Latin America, revenue growth remained strong, with good growth in Brazil and in the Andean region. In much of Latin America new front-of-pack labelling rules led to increased reformulation opportunities with customers.

Europe, Middle East and Africa

Volume decreased by 1%, while revenue at £258 million was 1% higher in constant currency as we continued to exit lower margin texturant business to improve mix. Revenue was in line with the prior year in our more mature western European business which included revenues from our oats ingredients business which we sold at the end of the prior year, while in Turkey, Middle East and Africa we saw high single-digit growth. In October 2019 we opened the expansion of our facility in Slovakia, doubling capacity of high-grade maltodextrin (used in categories such as baby food).

New Products

Revenue from New Products (products launched in the last seven years) increased by 15% in constant currency to £113 million with each of our sweeteners, health and wellness and texturants platforms delivering double-digit revenue growth. New Products now represent 12% of Food & Beverage Solutions revenues. Sugar and calorie reduction particularly in beverage, dairy, confectionery and bakery is a key focus for customers and consumers. As a result, we saw strong growth in revenue from stevia sweeteners, as well as PROMITOR® Soluble Fibre, reflecting its use as a sugar replacement and fibre enrichment solution. We also saw good growth in Non-GMO texturants and clean label starches from our CLARIA® line of functional starches.

SUCRALOSE

Solid results

Sucralose volume and revenue in constant currency decreased by 4% reflecting the impact of the prior year programme to optimise inventory. Excluding the impact of inventory optimisation, underlying volume was 1% higher. Revenues were £161 million with good customer mix management. Adjusted operating profit at £63 million was 1% higher in constant currency reflecting good cost management which offset a £3 million one-off gain from a supply contract in the prior year. Currency translation increased revenue by £3 million and adjusted operating profit by £2 million.

PRIMARY PRODUCTS

Profit higher despite challenging market conditions

Volume was 2% lower with North American sweetener volume 2% lower and North American industrial starch volume 8% lower. Revenue at £1,779 million was up 2% in constant currency reflecting the pass through of higher net corn costs. Adjusted operating profit at £158 million was 3% higher in constant currency. Currency translation increased revenue by £51 million and adjusted operating profit by £5 million.

Adjusted operating profit in Sweeteners and Starches was 1% higher in constant currency with good performance from manufacturing and supply chain together with strong cost discipline, offsetting cost inflation and weaker volume. The results also reflected the impact of the £4 million insurance recovery in the prior year. Commodities adjusted operating profit at £25 million was 17% higher in constant currency.

To simplify our business and focus capital investment on key priorities, in December 2019 we closed our small, non-core, savoury ingredients business after deciding not to invest the significant capital required to sustain it. This decision led to an exceptional charge of £5 million, mainly to write off the associated assets. This business generated profit of £7 million in the year ended 31 March 2020.

Sweeteners

Volume was 2% lower due to lower demand from our Bio-PDO™ joint venture reflecting competitive cost pressure for its products. Excluding this impact, sweetener volume was slightly higher than the prior year despite a decline in carbonated soft drinks consumption in the US, partly reflecting higher pricing and lower promotional intensity within that category.

Industrial Starches

Volume was 8% lower due to the closure of paper capacity at a customer's facility combined with weaker demand for paper and for packaging as e-commerce operators sought to reduce packaging. In the second half of the year our strategy to diversify product mix and a recovery of domestic paper production delivered improved performance. An example of this was our entry into the personal care category in North America with TEXTURLUX® Personal Care Additives. This created a range of bio-based speciality polymers for skin, hair and sun care applications. Early customer interest has been encouraging.

Commodities

Commodities delivered adjusted operating profit of £25 million, 17% higher in constant currency. Co-product recoveries from corn gluten meal and corn oil were stronger than the prior year while ethanol cash margins declined and moved sharply lower at the end of the year.

ADDITIONAL COMMENTARY ON FINANCIAL STATEMENTS

Year ended 31 March[1] Continuing and total operations	2020 £m	2019 £m	Change %	Constant currency change %
Revenue	**2 882**	2 755	5%	2%
Adjusted operating profit				
- Food & Beverage Solutions	**162**	143	13%	10%
- Sucralose	**63**	61	4%	1%
- Primary Products	**158**	148	7%	3%
- Central	**(52)**	(47)	(10%)	(9%)
Adjusted operating profit	**331**	305	9%	5%
Net finance expense	**(28)**	(26)	(7%)	(4%)
Share of profit after tax of joint ventures	**28**	30	(8%)	(9%)
Adjusted profit before tax	**331**	309	7%	4%
Exceptional items	**(24)**	(58)	58%	59%
Amortisation of acquired intangible assets	**(11)**	(11)	–	–
Profit before tax	**296**	240	23%	20%
Income tax expense	**(51)**	(59)	13%	15%
Profit for the year	**245**	181	35%	31%
Earnings per share (pence)				
Adjusted diluted	**57.8p**	52.0p	11%	8%
Diluted	**52.1p**	38.6p	35%	31%
Cash flow and net debt[2]				
Adjusted free cash flow	**247**	212		
Net debt	**451**	337		

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within IFRS. 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 IFRS 16 Leases was adopted at the beginning of the year, without restating comparatives. Lease payments are now classified as financing rather than operating cash flows, increasing adjusted free cash flow in the year ended 31 March 2020 by £34 million. IFRS 16 lease liabilities increased net debt by £162 million at 31 March 2020.

Central costs

Central costs, which include head office costs and certain treasury and legal activities, were 10% higher (9% in constant currency) at £52 million, primarily driven by incremental costs as part of our overall Covid-19 response. Such increases were partially offset by strong overhead cost discipline.

Net finance expense

Net finance expense from continuing operations was £2 million higher at £28 million, reflecting the adoption of the new leasing standard, IFRS 16, which increased finance expense by £6 million. This has been partially offset by lower borrowing costs.

The Group has raised new debt and refinanced maturing debt, both lowering its overall borrowing rates and increasing its access to liquidity. In November 2019, the Group issued a US$200 million private placement, comprising US$100 million 3.31% notes due 2029 and US$100 million 3.41% notes due 2031, and used the proceeds to refinance a £200 million 6.75% bond maturing at that time. In May 2020, the Group extended the maturity of its US$800 million revolving credit facility by a year to 2025 and priced a committed US$200 million debt private placement which will be issued on 6 August 2020, at which point US$100 million 2.91% notes maturing in 2030 and US$100 million 3.01% notes maturing in 2032 will be drawn down.

Following the buy-in of the main UK defined benefit pension scheme, interest income of about £5 million per year on the accounting surplus of the plan will no longer be recognised from the start of the 2021 fiscal year.

Share of profit after tax of joint ventures

The Group's share of profit after tax of joint ventures of £28 million was 8% lower (9% lower in constant currency) principally reflecting weaker demand at DuPont Tate & Lyle Bio Products (Bio-PDO™), which is expected to continue into the 2021 fiscal year.

Exceptional items

The Group recorded a net exceptional charge of £24 million, which principally comprised £19 million of restructuring charges for the previously-announced simplification programme, consisting of the following:

- £5 million of severance costs for roles removed from the organisation; and
- £14 million of productivity costs including the accelerated depreciation of assets being replaced with more efficient alternatives, Global Operations cost saving initiatives, and other associated project costs.

The Group also recorded a £5 million charge following the decision in the first half of the year to exit the Primary Products' small, non-core savoury ingredients business, mainly comprising the cost of writing off the associated assets.

The exceptional cash outflows for the year totaled £24 million, comprising £9 million of cash outflows related to charges recorded in the current financial year and £15 million of cash outflows resulting from exceptional costs recorded in the prior year.

In May 2018, as part of its simplification programme, the Group announced a plan to generate productivity benefits of US$100 million over a four-year period to 2022, and that the cash costs of delivering this would be around US$40 million. During the year ended 31 March 2020, exceptional cash costs in respect of this programme of US$19 million were recognised, bringing the total to date to US$33 million.

During the year ended 31 March 2019, the Group recorded a net exceptional charge of £58 million which mainly comprised a £43 million non-cash impairment charge on the oats ingredients business.

Taxation

The adjusted effective tax rate was 17.9% (2019 – 21.0%). The rate was lower than the prior year as a result of the recognition of a deferred tax asset following the pension buy-in transaction which enabled the utilisation of some previously unrecognised tax losses, the re-measurement of deferred tax assets in the UK following the reversal of the UK government's previously-enacted decision to reduce the standard rate of corporation tax from 19% to 17%, and the expiry of the statute of limitations on a number of uncertain tax provisions. Of these items, the latter two were discrete items recorded in the second half of the year ended 31 March 2020, causing the full year rate to be lower than that of the first half.

We expect the rate for the year ended 31 March 2021 to be between 17% and 19%.

Earnings per share

Adjusted basic earnings per share increased by 11% (8% in constant currency) to 58.6p and adjusted diluted earnings per share at 57.8p were also 11% higher (8% in constant currency). Statutory diluted earnings per share increased by 13.5p to 52.1p reflecting increased earnings and lower exceptional charges in the year.

Dividend

The Board is recommending an unchanged final dividend of 20.8p per share, bringing the full year dividend to 29.6p per share (2019 – 29.4p), up 0.7% on the prior year. The final dividend is subject to approval by shareholders at the AGM on 23 July 2020. Subject to shareholder approval, the final dividend will be due and payable on 31 July 2020 to all shareholders on the Register of Members on 19 June 2020. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan alternative.

Cash flow, net debt and liquidity

Adjusted free cash flow was £247 million (2019 – £212 million). The increase of £35 million reflects a favourable impact of £34 million from IFRS 16. Excluding this impact, the increase was £1 million, with higher capital expenditure of £166 million (2019 – £130 million) being offset by higher operating profit, better working capital performance and lower retirement benefit contributions and tax payments.

We expect capital expenditure for the 2021 financial year to be between £140 million and £160 million.

Overall net debt at 31 March 2020 of £451 million was £114 million higher than at 31 March 2019. The adoption of IFRS 16 increased net debt by £162 million at 31 March 2020. Excluding the impact of IFRS 16, net debt would have been lower due to net cash flow generated from operating and investing activities, partially offset by the translation impact of the stronger US dollar on US-denominated borrowings.

At 31 March 2020, the Group held cash and cash equivalents of £271 million and had a committed, undrawn revolving credit facility of US$800 million. Net debt / EBITDA ratio was 0.9 times (2019 – 0.8 times), with the increase driven by the impact of IFRS 16. On a covenant-testing basis, net debt / EBITDA ratio was 0.6 times, which was significantly lower than the covenant ratio of not greater than 3.5 times, demonstrating significant headroom above this covenant requirement.

Retirement benefits

The Group maintains pension plans for its current employees and former employees in a number of countries. Certain of these arrangements are defined benefit pension schemes. All funded schemes in the UK and US are closed for further accrual. In the US, the Group also continues to provide an unfunded post-retirement medical benefit scheme.

On 18 September, the Group further de-risked its retirement benefit obligations by supporting the trustees of the main UK defined benefit pension scheme in completing a £930 million bulk annuity insurance policy 'buy-in' for that scheme. The 'buy-in' secured an insurance asset that fully matches the remaining pension liabilities of the scheme, with the result that the Company no longer bears any investment, longevity, interest rate or inflation risk.

As the scheme was in surplus on an accounting basis, in accordance with the relevant accounting standard the impact of this transaction was to record a re-measurement loss of £195 million to other comprehensive income. There was no impact on profit before tax and no incremental funding by the Group was required.

The other significant movements in retirement benefit obligations relate to actuarial losses recognised in other comprehensive income of £46 million, with the main driver being the reduction in the discount rates applied to US pension liabilities leading to increased liabilities which were only partially offset by higher returns on plan assets of £20 million.

While discount rates applied to UK pension liabilities also decreased, this impact was more than offset by the decrease in inflation assumptions, resulting in an overall actuarial gain for the UK pension liabilities. However, for the main UK pension plan, this actuarial gain was offset by an equal and opposite decrease on the return on plan assets because of the nature of such assets following the 'buy-in' described above.

The Group's retirement benefit obligations are now in a net deficit of £203 million (31 March 2019 – surplus of £24 million). Such movement reflects the re-measurement loss on the 'buy-in' described above. The largest component of the net deficit are certain deliberately unfunded schemes in the US.

As a result of the 'buy-in' cash contributions into the main UK scheme will cease, saving approximately £20 million of cash annually from the 2021 financial year. In addition, the Group will no longer record non-cash interest income on the accounting surplus of about £5 million per year.

CAUTIONARY STATEMENT AND CONFERENCE CALL DETAILS

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 2020 can be found on our website at www.tateandlyle.com. A hard copy of this statement is also available from the Company Secretary, Tate & Lyle PLC, 1 Kingsway, London WC2B 6AT.

Webcast and Q&A Details

An audio presentation of the results by Chief Executive, Nick Hampton, and Chief Financial Officer, Imran Nawaz, will be available to view on our website from 07.00 (BST) on Thursday 21 May 2020. To access the presentation, visit https://brrmedia.news/dkh3f.

This presentation will be live streamed at 10.00 (BST), and will then be followed by a live Q&A session. To view and listen to this audio webcast and Q&A, visit https://brrmedia.news/wfues. Please note that only sell-side analysts and any pre-registered buy-side investors will be able to ask questions during the Q&A session. Sell-side analysts will be automatically pre-registered. To pre-register, please contact Lucy Huang at lucy.huang@tateandlyle.com.

The archive version of the audio webcast with Q&A will be available on the same link at https://brrmedia.news/wfues within two hours of the end of the live broadcast.

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CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2020 £m	2019 £m
Continuing operations			
Revenue	4	**2 882**	2 755
Operating profit		**296**	236
Finance income	6	**5**	5
Finance expense	6	**(33)**	(31)
Share of profit after tax of joint ventures		**28**	30
Profit before tax		**296**	240
Income tax expense	7	**(51)**	(59)
Profit for the year - continuing operations		**245**	181
Profit for the year - discontinued operations		**–**	–
Profit for the year - total operations		**245**	181

Profit for the years presented from total operations is entirely attributable to owners of the Company.

Earnings per share		**Pence**	Pence
Continuing operations:			
– basic	8	**52.8p**	39.2p
– diluted	8	**52.1p**	38.6p
Total operations:			
– basic	8	**52.8p**	39.2p
– diluted	8	**52.1p**	38.6p

Analysis of adjusted profit for the year – continuing operations		**£m**	£m
Profit before tax		**296**	240
Adjusted for:			
Net exceptional charge	5	**24**	58
Amortisation of acquired intangible assets		**11**	11
Adjusted profit before tax	3	**331**	309
Adjusted income tax expense	3, 7	**(59)**	(65)
Adjusted profit for the year	3	**272**	244

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 £m	2019 £m
		Year ended 31 March	
Profit for the year		**245**	181
Other comprehensive income/(expense)			
Items that have been/may be reclassified to profit or loss:			
Gain on currency translation of foreign operations		**46**	75
Fair value loss on net investment hedges		**(18)**	(24)
Net loss on cash flow hedges		**(1)**	–
Share of other comprehensive (expense)/ income of joint ventures		**(3)**	4
		24	55
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit plans			
– actual return (lower)/higher than interest on plan assets	11	**(58)**	29
– impact of 'buy-in' on main UK pension scheme	11	**(195)**	–
– net actuarial gain/(loss) on retirement benefit obligations	11	**12**	(34)
Changes in the fair value of equity investments at fair value through OCI		**2**	2
Tax effect of the above items		**41**	10
		(198)	7
Total other comprehensive (expense)/income		**(174)**	62
Total comprehensive income		**71**	243

Total comprehensive income all relates to continuing operations and is entirely attributable to owners of the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March 2020 £m	 2019 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**340**	342
Property, plant and equipment		**1 190**	982
Investments in joint ventures		**91**	102
Investments in equities		**63**	59
Retirement benefit surplus	11	**4**	207
Deferred tax assets		**30**	3
Trade and other receivables		**–**	2
Derivative financial instruments		**1**	–
		1 719	1 697
Current assets			
Inventories		**456**	434
Trade and other receivables		**323**	325
Current tax assets		**10**	4
Derivative financial instruments		**5**	48
Other current financial assets		**67**	–
Cash and cash equivalents	10	**271**	285
		1 132	1 096
TOTAL ASSETS		**2 851**	2 793
EQUITY			
Capital and reserves			
Share capital		**117**	117
Share premium		**406**	406
Capital redemption reserve		**8**	8
Other reserves		**239**	217
Retained earnings		**629**	741
TOTAL EQUITY		**1 399**	1 489
LIABILITIES			
Non-current liabilities			
Borrowings	10	**682**	373
Retirement benefit deficit	11	**207**	183
Deferred tax liabilities		**42**	46
Provisions		**11**	20
Derivative financial instruments		**2**	1
		944	623
Current liabilities			
Borrowings	10	**40**	224
Trade and other payables		**370**	342
Provisions		**21**	24
Current tax liabilities		**38**	45
Derivative financial instruments		**20**	46
Other current financial liabilities		**19**	–
		508	681
TOTAL LIABILITIES		**1 452**	1 304
TOTAL EQUITY AND LIABILITIES		**2 851**	2 793

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March **2020** **£m**	 2019 £m
Cash flows from operating activities			
Profit before tax from continuing operations		**296**	240
Adjustments for:			
Depreciation of property, plant and equipment (excluding exceptional items)		**137**	112
Amortisation of intangible assets		**35**	40
Share-based payments		**14**	18
Exceptional income statement items	5	**1**	51
Net finance expense	6	**28**	26
Share of profit after tax of joint ventures		**(28)**	(30)
Net retirement benefit obligations		**(21)**	(25)
Changes in working capital and other non-cash movements		**2**	(16)
Cash generated from continuing operations		**464**	416
Net income tax paid		**(49)**	(58)
Interest paid		**(30)**	(28)
Net cash generated from operating activities		**385**	330
Cash flows from investing activities			
Purchase of property, plant and equipment		**(141)**	(103)
Disposal of property, plant and equipment (exceptional)	5	**(1)**	3
Investments in intangible assets		**(25)**	(27)
Purchase of equity investments		**(6)**	(20)
Disposal of equity investments		**4**	3
Interest received		**5**	5
Dividends received from joint ventures		**35**	21
Sale and leaseback of railcars (exceptional)	5	**–**	16
Other investing cash flows		**–**	(9)
Net cash used in investing activities		**(129)**	(111)
Cash flows from financing activities			
Purchase of own shares including net settlement		**(22)**	(8)
Cash inflow from additional borrowings		**157**	5
Cash outflow from repayment of borrowings		**(234)**	(1)
Repayment of leases		**(37)**	(2)
Dividends paid to the owners of the Company	9	**(137)**	(134)
Net cash used in financing activities		**(273)**	(140)
Net (decrease)/increase in cash and cash equivalents	10	**(17)**	79
Cash and cash equivalents:			
Balance at beginning of year		**285**	190
Net (decrease)/increase in cash and cash equivalents		**(17)**	79
Currency translation differences		**3**	16
Balance at end of year	10	**271**	285

A reconciliation of the movement in cash and cash equivalents to the movement in net debt is presented in Note 10.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2018	523	8	159	677	1 367
Profit for the year - total operations	–	–	–	181	181
Other comprehensive income	–	–	57	5	62
Total comprehensive income	–	–	57	186	243
Hedging losses transferred to inventory	–	–	1	–	1
Transactions with owners:					
Share-based payments, net of tax	–	–	–	20	20
Purchase of own shares including net settlement	–	–	–	(8)	(8)
Dividends paid (Note 9)	–	–	–	(134)	(134)
At 31 March 2019	523	8	217	741	1 489
IFRS 16 Lease adoption	–	–	–	(8)	(8)
At 1 April 2019 restated	523	8	217	733	1 481
Profit for the year - total operations	**–**	**–**	**–**	**245**	**245**
Other comprehensive income/(expense)	**–**	**–**	**26**	**(200)**	**(174)**
Total comprehensive income	**–**	**–**	**26**	**45**	**71**
Hedging gains transferred to inventory	**–**	**–**	**(6)**	**–**	**(6)**
Tax effect of the above item	**–**	**–**	**2**	**–**	**2**
Transactions with owners:					
Share-based payments, net of tax	**–**	**–**	**–**	**14**	**14**
Purchase of own shares including net settlement	**–**	**–**	**–**	**(22)**	**(22)**
Dividends paid (Note 9)	**–**	**–**	**–**	**(137)**	**(137)**
Other movements	**–**	**–**	**–**	**(4)**	**(4)**
At 31 March 2020	**523**	**8**	**239**	**629**	**1 399**

Total equity is entirely attributable to owners of the Company.

NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2020

1. Background

The financial information on pages 13 to 32 is extracted from the Group's consolidated financial statements for the year ended 31 March 2020, which were approved by the Board of Directors on 20 May 2020.

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 auditor, Ernst & Young LLP, has given an unqualified report on the consolidated financial statements for the year ended 31 March 2020. The auditor's report did not include reference to any matters to which the auditor drew attention without qualifying its 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 23 July 2020 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 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS.

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

In making this assessment, the Directors have taken into consideration that, since the balance sheet date, significant actions have been taken by most governments to contain the spread of Covid-19, which have had a severe effect on economic activity in the countries in which the Group operates.

While the Group's trading in March showed limited impact from the Covid-19 pandemic, the lockdowns in place in many countries across the world throughout April, most notably in its largest markets of the US and Europe, have led to some significant changes in demand patterns for its products. Primary Products volume was significantly impacted by the first full month of lockdown in the US. While consumption at home provided a degree of underpin, bulk sweetener volume was 26% lower from reduced out of home consumption as bars, cinemas, restaurants and sporting events were either shut or cancelled. Industrial starch volume was 9% lower reflecting reduced demand for paper and packaging following the closure of schools, offices and a general decline in economic activity.

The impact of lower demand was partially mitigated by prompt actions taken in March to optimise cash and reduce costs as we saw the pandemic unfolding. These include freezing salary increases and recruitment, stopping non-essential discretionary spend and reprioritising capital commitments.

At the year end, the group held cash and cash equivalents of £271 million and had an undrawn, committed revolving credit facility of US$800 million (£642 million). In addition, during May 2020, the Group successfully obtained further committed borrowings through a US$200 million US private placement at an average coupon of 2.96% and extended the term of its US$800 million revolving credit facility by one year to March 2025.

In concluding that the going concern basis is appropriate, the Directors have modelled the impact of a 'worst case scenario' which includes the potential impact in aggregate of three plausible but severe downside risks. It specifically included a severe extended impact from lower out-of-home consumption across our Primary Products and Food & Beverage Solutions businesses due to Covid-19. In addition, this 'worst case scenario' also included two other risks from the Group's viability assessment unrelated to Covid-19; being a major operational failure causing an extended shutdown of our largest manufacturing facility and the loss of two of our largest Food & Beverage Solutions customers.

Having reviewed this 'worst case scenario' forecast for the coming year, and having applied reverse stress tests, the Directors consider it remote that available liquidity could be exhausted. In addition, even under the 'worst case scenario' there remains no forecast breach of the Group's covenant ratio of 3.5 times net debt to EBITDA.

The Group's principal accounting policies have been consistently applied throughout the year and will be set out in the notes to the Group's 2020 Annual Report.

2. Basis of preparation (continued)

Accounting standards adopted during the year

In the current year, the Group has adopted, with effect from 1 April 2019, the following new accounting standards:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

In accordance with the transitional provisions in IFRS 16 comparative figures have not been restated. The adoption of IFRS 16 Leases had a material impact on Group net debt and adjusted free cash flow. IFRIC 23 Uncertainty over Income Tax Treatments had no material impact. Refer to Note 14 for further details.

Accounting standards issued but not yet adopted

The following new standards have been issued and are relevant to the Group, but were not effective for the financial year beginning 1 April 2019, and have not been adopted early:

- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8 Definition of Material

Neither are expected to have a significant impact on the Group's financial statements.

No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

Changes in constant currency

Where year-on-year changes in constant currency are presented in this statement, they are calculated by retranslating current year results at prior year exchange rates. Reconciliations of the movement in constant currency have been included in 'Additional information' within this document.

Alternative performance measures

The Group also presents alternative performance measures, including adjusted operating profit, adjusted profit before tax, adjusted earnings per share and adjusted free cash flow, which are used for internal performance analysis and incentive compensation arrangements for employees. They are presented because they provide investors with additional information about the performance of the business which the Directors consider to be valuable. For the years presented, alternative performance measures exclude, where relevant:

- **Exceptional items** (excluded as they are material in amount; and are outside the normal course of business or relate to events which do not frequently recur, 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); and

- **Tax on the above items and tax items that themselves meet these definitions.** For tax items to be treated as exceptional, amounts must be material and their treatment as exceptional enable a better understanding of the Group's underlying financial performance.

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.

2. Basis of preparation (continued)

Exceptional items

Exceptional items comprise items of income, expense and cash flow, including tax items that: are material in amount; and are outside the normal course of business or relate to events which do not frequently recur, 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, expense and cash flow as exceptional items include, but are not limited to:

- significant 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.

For tax items to be treated as exceptional, amounts must be material and their treatment as exceptional enable a better understanding of the Group's underlying financial performance.

Exceptional items in the Group's financial statements are classified on a consistent basis across accounting periods.

3. Reconciliation of alternative performance measures

Income statement 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.

The following table shows the reconciliation of the key income statement alternative performance measures to the most directly comparable measures reported in accordance with IFRS:

	Year ended 31 March 2020			Year ended 31 March 2019		
£m unless otherwise stated **Continuing operations**	**IFRS reported**	**Adjusting items**	**Adjusted reported**	IFRS reported	Adjusting items	Adjusted reported
Revenue	**2 882**	**–**	**2 882**	2 755	–	2 755
Operating profit	**296**	**35**	**331**	236	69	305
Profit before tax	**296**	**35**	**331**	240	69	309
Income tax expense	**(51)**	**(8)**	**(59)**	(59)	(6)	(65)
Profit for the year	**245**	**27**	**272**	181	63	244
Basic earnings per share (pence)	**52.8p**	**5.8p**	**58.6p**	39.2p	13.6p	52.8p
Diluted earnings per share (pence)	**52.1p**	**5.7p**	**57.8p**	38.6p	13.4p	52.0p
Effective tax rate %	**17.1%**	**0.8%**	**17.9%**	24.4%	(3.4%)	21.0%

The following table shows the reconciliation of the adjusting items impacting adjusted profit for the year in the current and comparative year:

		Year ended 31 March	
Continuing operations	Notes	**2020 £m**	2019 £m
Exceptional costs in operating profit	5	**24**	58
Amortisation of acquired intangible assets		**11**	11
Total excluded from adjusted profit before tax		**35**	69
Tax credit on adjusting items	7	**(8)**	(6)
Total excluded from adjusted profit for the year		**27**	63

3. Reconciliation of alternative performance measures (continued)

Cash flow measure

The Group also presents an alternative cash flow measure, 'Adjusted free cash flow' which is defined as cash generated from continuing operations after net interest and tax paid, after capital expenditure, and excluding the impact of exceptional items.

The following table shows the reconciliation of adjusted free cash flow:

	Year ended 31	
	2020	2019
	£m	£m
Adjusted operating profit from continuing operations	**331**	305
Adjusted for:		
Depreciation and adjusted amortisation[1]	**161**	141
Share-based payments charge	**14**	18
Changes in working capital and other non-cash movements	**2**	(16)
Net retirement benefit obligations	**(21)**	(25)
Capital expenditure	**(166)**	(130)
Net interest and tax paid	**(74)**	(81)
Adjusted free cash flow[2]	**247**	212

1 Total depreciation of £145 million and amortisation of £35 million less £8 million of accelerated depreciation recognised in exceptional items and £11 million of amortisation of acquired intangibles

2 IFRS 16 leases was adopted in the year without restating comparatives. Lease payments are now classified as financing rather than operating cash flows, increasing adjusted free cash flow by £34 million

Financial strength measures

The Group uses two financial metrics as key performance measures to assess its financial strength. These are the net debt to EBITDA ratio and the return on capital employed ratio. The Group no longer uses the interest cover ratio and so this has been removed (principally as a result of it no longer being a covenant for the US private placements notes).

All ratios are calculated based on unrounded figures in £ million.

The net debt to EBITDA ratio is as follows:

	31 March	
	2020	2019
	£m	£m
Calculation of net debt to EBITDA ratio		
Net debt[1] (Note 10)	**451**	337
Adjusted operating profit	**331**	305
Add back depreciation and adjusted amortisation	**161**	141
EBITDA[2]	**492**	446
Net debt to EBITDA ratio (times)	**0.9**	0.8

1 IFRS 16 leases was adopted in the year without restating comparatives. For the ratio calculated at 31 March 2020, IFRS 16 lease liabilities increased net debt by £162 million and EBITDA by £35 million. On a like-for-like basis, the net debt to EBITDA ratio was 0.6 times. The composition of line items that make up net debt is set out in Note 10.

2 EBITDA is calculated as adjusted operating profit (£331 million) adding back depreciation of £137 million (total depreciation of £145 million less £8 million of accelerated depreciation recognised in exceptional items) and amortisation of £24 million (total amortisation of £35 million less £11 million of amortisation of acquired intangible assets).

3. Reconciliation of alternative performance measures (continued)

The return on capital employed calculation is as follows:

			31 March
	2020	2019	2018
	£m	£m	£m
Calculation of return on capital employed			
Adjusted operating profit[1]	**331**	305	
Deduct: amortisation of acquired intangible assets	**(11)**	(11)	
Profit before interest, tax and exceptional items from continuing operations for ROCE	**320**	294	
Goodwill and other intangible assets	**340**	342	360
Property, plant and equipment	**1 190**	982	965
Working capital, provisions and non-debt-related derivatives*	**409**	401	385
Invested operating capital of continuing operations	**1 939**	1 725	1 710
Average invested operating capital**	**1 832**	1 718	
Return on capital employed (ROCE) %	**17.5%**	17.1%	

1 IFRS 16 leases was adopted in the year without restating comparatives. For the ratio calculated at 31 March 2020, IFRS 16 lease liabilities increased adjusted operating profit by £5 million and property, plant and equipment by £143 million. On a like-for-like basis, the return on capital employed ratio was 17.9%.

*****All derivatives held at 31 March 2020 were non-debt-related derivatives. For the purpose of this calculation other current financial assets and liabilities are also included.

****** Average invested operating capital represents the average at the beginning and end of the year of goodwill and other intangible assets, property, plant and equipment, working capital, provisions and non-debt-related derivatives.

4. Segment information

Segment information is presented on a basis consistent with the information presented to the Board (the designated Chief Operating Decision Maker). All revenue is from external customers.

(a) Segment results

	Year ended 31 March 2020				
Continuing operations	**Food & Beverage Solutions £m**	**Sucralose £m**	**Primary Products £m**	**Central £m**	**Total £m**
Revenue	**942**	**161**	**1 779**	**–**	**2 882**
Adjusted operating profit*	**162**	**63**	**158**	**(52)**	**331**
Adjusted operating margin	**17.2%**	**39.3%**	**8.9%**	**n/a**	**11.5%**

* Reconciled to statutory profit for the year in Note 3

	Year ended 31 March 2019				
Continuing operations	**Food & Beverage Solutions £m**	**Sucralose £m**	**Primary Products £m**	**Central £m**	**Total £m**
Revenue	889	164	1 702	–	2 755
Adjusted operating profit*	143	61	148	(47)	305
Adjusted operating margin	16.1%	37.0%	8.7%	n/a	11.1%

* Reconciled to statutory profit for the year in Note 3

(b) Geographic disclosures: revenue

	Year ended 31 March	
	2020	2019
	£m	£m
Food & Beverage Solutions		
North America	**470**	430
Asia Pacific and Latin America	**214**	201
Europe, Middle East and Africa	**258**	258
Food & Beverage Solutions – total	**942**	889
Sucralose – total	**161**	164
Primary Products		
Americas	**1 683**	1 588
Rest of the World	**96**	114
Primary Products – total	**1 779**	1 702
Total	**2 882**	2 755

5. Exceptional items

Exceptional items recognised in the income statement are as follows:

		Year ended 31 March	
		2020	2019
Income statement – continuing operations	Footnotes	**£m**	£m
Restructuring costs	(a)	**(19)**	(13)
Primary Products' savoury business exit	(b)	**(5)**	–
Oats ingredients business disposal		**–**	(43)
Gain on sale and leaseback of railcars		**–**	14
Asset remediation		**–**	(16)
Exceptional items included in profit before tax		**(24)**	(58)

In the year ended 31 March 2020, costs recorded as exceptional related to the Group's previously-announced programme to simplify the business and drive productivity. These are set out below:

(a) £19 million of restructuring costs, principally comprising £5 million of severance costs for roles removed from the organisation, and £14 million of productivity costs including accelerated depreciation of assets being replaced with more efficient alternatives, Global Operations cost saving initiatives and other associated project costs. £5 million was recorded in each of the Food & Beverage Solutions and Primary Products operating segments and £9 million was recognised within Central.

(b) A £5 million charge following the decision in the first half of the year to exit the Primary Products' small, non-core savoury ingredients business, mainly comprising the cost of writing off the associated assets of the business.

Of the £24 million exceptional charge recorded during the year, £9 million was reflected in exceptional cash flow. In addition, £15 million of exceptional costs recorded in the prior year resulted in cash outflows in the year ended 31 March 2020, such that net cash outflow from exceptional items was £24 million.

The most significant exceptional cost in the comparative period related to the impairment and subsequent disposal of the Group's oats ingredients business, all of which was recorded within the Food & Beverage Solutions operating segment. Other exceptional costs in the prior year included a restructuring charge, the recognition of a provision to remediate environmental health and safety risks associated primarily with idle assets at manufacturing sites in North America and a gain on sale and leaseback of railcars.

Cash flows from exceptional items are set out below.

		Year ended 31 March	
		2020	2019
Net cash (outflows)/inflows on exceptional items	Footnotes	**£m**	£m
Restructuring charges	(a)	**(13)**	(6)
Primary Products' savoury business exit	(b)	**(1)**	–
Oats ingredients business disposal		**(1)**	3
Gain on sale and leaseback of railcars		**–**	16
Asset remediation		**(9)**	(1)
Net cash (outflows)/inflows		**(24)**	12

5. Exceptional items (continued)

Exceptional cash flows

The total cash flows on exceptional items are included in the statement of cash flows as follows:

		Year ended 31 March	
Reconciliation to the statement of cash flows	Footnotes	**2020 £m**	2019 £m
Exceptional charge included in profit before tax		**24**	58
Cash outflows relating to restructuring charge	(a)	**(13)**	(6)
Cash outflows relating to Primary Products' savoury business exit	(b)	**(1)**	–
Cash outflows relating to asset remediation		**(9)**	(1)
As presented within cash flows from operating activities		**1**	51
Cash flows relating to oats ingredients business disposal		**(1)**	3
Cash inflows on gain on sale and leaseback of railcars		**–**	16
As presented within cash flows from investing activities		**(1)**	19

6. Finance income and finance expense

	Year ended 31 March	
Continuing operations	**2020 £m**	2019 £m
Interest payable on bank and other borrowings	**(26)**	(30)
Fair value hedges:		
– fair value loss on interest rate derivatives	**(3)**	(4)
– fair value adjustment of hedged borrowings	**3**	4
Lease interest	**(7)**	(1)
Finance expense	**(33)**	(31)
Finance income	**5**	5
Net finance expense	**(28)**	(26)

7. Income tax expense

Analysis of charge for the year	Year ended 31 March	
Continuing operations	**2020 £m**	2019 £m
Current tax:		
– United Kingdom	**(8)**	(7)
– Overseas	**(42)**	(47)
– Exceptional tax credit	**3**	1
– Adjustments in respect of previous financial year	**6**	3
	(41)	(50)
Deferred tax:		
Expense for the year	**(10)**	(4)
Adjustments in respect of previous years	**(2)**	–
Exceptional tax credit/(expense)	**2**	(5)
Income tax expense	**(51)**	(59)
Statutory effective tax rate %	**17.1%**	24.4%

7. Income tax expense (continued)

Reconciliation to adjusted income tax expense	Note	Year ended 31 March 2020 £m	2019 £m
Income tax expense		**(51)**	(59)
Adjusted for:			
Taxation credit on exceptional items and amortisation of acquired intangibles		**(8)**	(6)
Adjusted income tax expense	3	**(59)**	(65)
Adjusted effective tax rate %		**17.9%**	21.0%

8. 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 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 assuming conversion of potentially dilutive ordinary shares, reflecting vesting assumptions on employee share plans, as well as the deemed profit attributable to owners of the Company for any proceeds on such conversions.

The average market price of the Company's ordinary shares during the year was 733p (2019 – 658p). The dilutive effect of share-based incentives was 6.4 million shares (2019 – 6.9 million shares).

	Year ended 31 March 2020			Year ended 31 March 2019		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the Company (£ million)	**245**	**–**	**245**	181	–	181
Weighted average number of ordinary shares (million) – basic	**464.2**	**–**	**464.2**	462.6	–	462.6
Basic earnings per share	**52.8p**	**–**	**52.8p**	39.2p	–	39.2p
Weighted average number of ordinary shares (million) – diluted	**470.6**	**–**	**470.6**	469.5	–	469.5
Diluted earnings per share	**52.1p**	**–**	**52.1p**	38.6p	–	38.6p

Adjusted earnings per share

A reconciliation between profit attributable to owners of the Company from continuing operations and the equivalent adjusted measure, together with the resulting adjusted earnings per share measures are set out below:

Continuing operations	Notes	Year ended 31 March 2020 £m	2019 £m
Profit attributable to owners of the Company		**245**	181
Adjusting items:			
– exceptional items	5	**24**	58
– amortisation of acquired intangible assets		**11**	11
– tax impact of adjusting items	7	**(8)**	(6)
Adjusted profit attributable to owners of the Company	3	**272**	244
Adjusted basic earnings per share (pence)		**58.6p**	52.8p
Adjusted diluted earnings per share (pence)		**57.8p**	52.0p

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9. Dividends on ordinary shares

Dividends on ordinary shares in respect of the financial year:

	Year ended 31 March	
	2020	2019
	Pence	Pence
Per ordinary share:		
Interim dividend paid	**8.8**	8.6
Final dividend proposed	**20.8**	20.8
Total dividend	**29.6**	29.4

The Directors propose a final dividend for the financial year of 20.8p per ordinary share that, subject to approval by shareholders, will be paid on 31 July 2020 to shareholders who are on the Register of Members on 19 June 2020.

Dividends on ordinary shares paid in the financial year:

	Year ended 31 March	
	2020	2019
	£m	£m
Final dividend paid relating to the prior financial year	**97**	94
Interim dividend paid relating to the financial year	**40**	40
Total dividend paid	**137**	134

Based on the number of ordinary shares outstanding at 31 March 2020 and the proposed amount, the final dividend for the financial year is expected to amount to £96 million.

10. Net debt

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

	At 31 March	
	2020	2019
	£m	£m
Borrowings[1]	**(551)**	(597)
Debt-related derivative financial instruments	**–**	(25)
Lease liabilities[1]	**(171)**	–
Cash and cash equivalents	**271**	285
Net debt	**(451)**	(337)

1 IFRS 16 leases was adopted in the year without restating comparatives. IFRS 16 lease liabilities increased net debt by £162 million at 31 March 2020. During the year, £9 million (2019 – £11 million) relating to IAS 17 finance leases has been reclassified from borrowings to lease liabilities.

On 19 November 2019, the Group refinanced its maturing £200 million 6.75% bond with the proceeds from drawing down US$100 million (£77 million) 3.31% notes due 2029 and US$100 million (£77 million) 3.41% notes due 2031, with the remaining amount made up from cash balances. In May 2020, the Group priced a US$200 million debt private placement which will be issued on 6 August 2020 at which point US$100 million 2.91% notes maturing in 2030 and US$100 million 3.01% notes maturing in 2032 will be drawn down.

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. These derivative financial instruments matured during the year at the date of the refinancing of the £200 million bond and no additional debt-related derivative financial instruments were entered into during the year. At 31 March 2019, the net fair value of these derivatives comprised assets of £6 million and liabilities of £31 million.

10. Net debt (continued)

Reconciliation of the movement in cash and cash equivalents to the movement in net debt is as follows:

	Year ended 31 March	
	2020	2019
	£m	£m
Net debt carried forward from the prior year	**(337)**	(392)
IFRS 16 adoption at beginning of the year[1]	**(167)**	–
Net debt at beginning of the year	**(504)**	(392)
Net (decrease)/increase in cash and cash equivalents	**(17)**	79
Net decrease/(increase) in borrowings and leases during the year	**114**	(2)
Decrease in net debt resulting from cash flows	**97**	77
Currency translation differences[2]	**(22)**	(21)
Fair value and other movements	**2**	(1)
Leases non-cash movements	**(24)**	–
Decrease in net debt in the year	**53**	55
Net debt at end of the year	**(451)**	(337)

1 IFRS 16 Leases was adopted at the beginning of the year without restating comparatives. IFRS 16 lease liabilities increased net debt by £162 million at 31 March 2020.

2 Includes the foreign currency element of the fair value movement on cross currency swaps and the translation of foreign denominated borrowings.

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

		Borrowings and lease liabilities			
	Cash and cash equivalents £m	**Current £m**	**Non-current £m**	**Debt-related derivatives £m**	**Total £m**
At 31 March 2019	**285**	**(224)**	**(373)**	**(25)**	**(337)**
IFRS 16 adoption at the beginning of the year[1]	–	**(25)**	**(142)**	–	**(167)**
At 1 April 2019	**285**	**(249)**	**(515)**	**(25)**	**(504)**
Movements from cash flows	**(17)**	**242**	**(157)**	**29**	**97**
Reclassification	–	**(30)**	**30**	–	**–**
Currency translation differences	**3**	**1**	**(25)**	**(1)**	**(22)**
Fair value and other movements	–	**5**	–	**(3)**	**2**
Lease and non-cash movements	–	**(9)**	**(15)**	–	**(24)**
At 31 March 2020	**271**	**(40)**	**(682)**	–	**(451)**

11. Retirement benefit obligations

On 18 September, the Group supported the trustees of the main UK pension scheme in completing a £930 million bulk annuity insurance policy 'buy-in' with Legal & General Assurance Society Limited ("Legal & General"). As a result, the assets of the main UK pension scheme were replaced with an insurance asset matching UK scheme liabilities.

Under the 'buy-in', Legal & General undertook to provide an insurance policy that exactly matches the pension scheme liabilities of the main UK pension scheme. As a result, the Group no longer bears any investment, longevity, interest rate or inflation risk with respect to that scheme.

A 'buy-in' is not a settlement and the liability is not de-recognised as the Group retains ultimate responsibility for funding the plan, although this funding is through the insurance policy provided by Legal & General. As a result of the 'buy-in' cash contributions into the main UK scheme will cease, saving approximately £20 million of cash annually from the 2021 financial year. In addition, the Group will no longer record interest income on the accounting surplus of about £5 million per year. The impact of this

11. Retirement benefit obligations (continued)

transaction was to record a re-measurement loss of £195 million to other comprehensive income. There was no impact on profit before tax.

At 31 March 2020, the Group's retirement benefit obligations are in a net deficit of £203 million (31 March 2019 – surplus of £24 million), principally due to the impact of the 'buy-in' transaction described above. The closing total net deficit substantially comprises the unfunded schemes in the US. The net deficit of £19 million relating to a smaller UK plan was not subject to the 'buy-in'.

The other significant movement in retirement benefit obligations in the year are as follows, each of which is recorded in other comprehensive income and has no impact on profit and loss.

- £60 million increase in net deficit in the US principally from the impact of lower discount rate (from 3.8% to 2.9%);
- £35 million reduction in the UK net deficit principally from lower inflation assumptions (from 3.3% to 2.8%);
- £58 million increase in net deficit from actual return on plan assets before the 'buy-in' being lower than the interest on these assets in the UK, partially offset by higher returns on funded plans in the US.

Total movements are set out in the table below.

			Year ended 31 March 2020	
	UK plans £m	US plans (funded) £m	US plans (unfunded) £m	Total £m
Net surplus/(deficit) at 1 April 2019	**181**	**(23)**	**(134)**	**24**
Income statement:				
– current service costs	**–**	**–**	**(2)**	**(2)**
– administration costs	**(1)**	**(1)**	**–**	**(2)**
– net interest income UK plans	**5**	**–**	**–**	**5**
– net interest expense US plans	**–**	**–**	**(5)**	**(5)**
Other comprehensive income:				
– actual return (lower)/higher than interest on plan assets	**(78)**	**20**	**–**	**(58)**
– actuarial (loss)/gain:				
– impact of the 'buy-in'	**(195)**	**–**	**–**	**(195)**
– changes in financial assumptions	**35**	**(50)**	**(10)**	**(25)**
– changes in demographic assumptions	**12**	**6**	**5**	**23**
– experience against assumptions	**8**	**2**	**4**	**14**
Other movements:				
– employer's contributions	**15**	**2**	**8**	**25**
– non-qualified deferred compensation arrangements	**–**	**2**	**–**	**2**
– currency translation differences	**(1)**	**(1)**	**(7)**	**(9)**
Net deficit at 31 March 2020	**(19)**	**(43)**	**(141)**	**(203)**

As the liabilities of the main UK plan were secured through the purchase of a bulk annuity insurance policy, both core contributions to the scheme and supplementary contributions to the secured funding account (£12 million per annum and £6 million per annum, respectively), ceased with effect from 1 October 2019. Other than meeting ongoing administration costs the Group does not expect to make any further contributions in relation to the main UK scheme until the financial year ending 31 March 2022 when the Group anticipates a one-off contribution to settle a post transaction price adjustment in respect of the bulk annuity insurance policy. Payments to the main UK scheme of £14 million in the year ended 31 March 2020 include a principal funding contribution of £6 million, a supplementary contribution of £6 million and £2 million in fees and expenses met on behalf of the scheme. During the year ending 31 March 2021 the Group expects to contribute approximately £9 million to its defined benefit pension plans and to pay approximately £5 million in relation to retirement medical benefits, principally in the US.

12. Contingent liabilities

The Group is subject to claims and litigation generally arising in the ordinary course of its business. Provision is made when liabilities are considered likely to arise and the expected quantum of the exposure can be estimated reliably. The risk in relation to claims and litigation is monitored on an ongoing basis and provisions amended accordingly. It is not expected that claims and litigation existing at 31 March 2020 will have a material adverse effect on the Group's financial position.

13. Capital expenditure and commitments

In the year ended 31 March 2020, there were additions to intangible assets (excluding goodwill and acquired intangibles) of £25 million (2019 – £31 million) and additions to property, plant and equipment of £165 million (2019 – £114 million). Total commitments for the purchase of tangible and intangible non-current assets are £51 million (2019 – £35 million). In addition, commitments in respect of retirement benefit obligations and leases are detailed in Notes 11 and 14 respectively.

14. Change in accounting policies

As explained in Note 2, the Group has adopted IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. The impact of the adoption of these standards is set out below. Comparatives have not been restated.

IFRS 16 Leases

The Group has adopted IFRS 16 from 1 April 2019 using the modified retrospective approach. The Group's leases principally comprise railcars, properties and other miscellaneous leases such as motor vehicles or machinery. The Group has not restated comparatives for the 2019 financial year as permitted. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 April 2019.

Adjustments recognised on adoption of IFRS 16

	31 March 2019 as originally presented £m	Adjustment £m	1 April 2019 £m
Non-current assets			
Property, plant and equipment	**982**	**151**	**1 133**
Liabilities			
Trade and other payables	**342**	**(5)**	**337**
Borrowings	**597**	**167**	**764**
Deferred tax liabilities	**46**	**(3)**	**43**
Equity			
Retained earnings	**741**	**(8)**	**733**

The Group has recognised liabilities for leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

	1 April 2019 £m
Operating lease commitments disclosed as at 31 March 2019	**308**
Less: contract not recognised as an IFRS 16 lease	**(112)**
Discounted using the Group's incremental borrowing rate at the date of initial application	**(29)**
Recognised as IFRS 16 leases as at 31 March 2019	**167**
Add: finance lease liabilities as at 31 March 2019	**11**
Lease liability at 1 April 2019	**178**
Of which:	
Current lease liabilities	**26**
Non-current lease liabilities	**152**

At 31 March 2019 the Group had an IAS 17 operating lease commitment of £112 million in respect of an energy procurement contract and related infrastructure. This contract was not recognised as an IFRS 16 lease as the Group determined that it does not have the right to direct the use of the related asset.

14. Change in accounting policies (continued)

Adjustments recognised on adoption of IFRS 16 (continued)

Where practicable the associated right-of-use assets were measured on a retrospective basis, as if the new rules had always been applied. Where this was not possible, right-of-use assets were measured at the amount equal to the lease liability as at 1 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to the following types of asset:

	1 April 2019 £m
Railcars	**97**
Properties	**51**
Other	**3**
Right-of-use assets	**151**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessments of whether leases are onerous;
- Accounting for operating leases, with a remaining lease term of less than 12 months as at 1 April 2019, as short-term leases; and
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Accounting policy and key judgements

Having adopted IFRS 16 the Group applies the following approach. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term which includes periods covered by renewal options the Group is reasonably certain to exercise. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost including the amount of lease liabilities recognised and initial direct costs incurred less any incentives granted by the lessor. Right-of-use assets are subject to impairment. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the right-of-use assets, unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term, in which case depreciation is over the useful life of the underlying asset.

The carrying amounts of assets recorded as a result of IFRS 16 (included under Property, plant and equipment) and movements during the year are set out below:

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2019*	**51**	**108**	**159**
Additions to right-of-use assets	**3**	**14**	**17**
Depreciation charge	**(7)**	**(24)**	**(31)**
Derecognition of right-of-use assets	**1**	**4**	**5**
At 31 March 2020	**48**	**102**	**150**

*This includes £8 million of plant and machinery that was previously recognised as an asset held under finances leases in accordance with IAS 17.

14. Change in accounting policies (continued)

IFRS 16 Leases (continued)

Accounting policy and key judgements (continued)

The statement of profit or loss shows the following amounts in relation to leases:

	31 March 2020 £m
Depreciation expense of right-of-use assets	**31**
Interest expense on lease liabilities	**7**
Expense relating to short-term leases	**–**
Expense relating to leases of low value assets	**2**
Expense relating to variable lease payments not included in the measurement of lease liability	**–**
Income from sub-leasing right-of-use assets	**(1)**
At 31 March 2020	**39**

The total cash outflow for leases in the year ended 31 March 2020 was £37 million (excluding cash outflow of £2 million relating to leases of low value items).

The Group has several lease contracts that include extension and termination options. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of £1 million.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group applies significant judgement in identifying uncertainties over income tax treatments and operates in a complex multinational environment. Following a detailed assessment the Group has determined that the adoption of this interpretation has not had a material impact on the Group's financial statements.

15. Events after the balance sheet date

In May 2020 the Group extended the maturity of its US$800 million revolving credit facility by a year to 2025 and priced a committed US$200 million debt private placement which will be issued on 6 August 2020 at which point US$100 million 2.91% notes maturing in 2030 and US$100 million 3.01% notes maturing in 2032 will be drawn down. There are no other post balance sheet events requiring disclosure in respect of the year ended 31 March 2020.

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. The following table provides a reconciliation between the 2020 performance at actual exchange rates and at constant currency exchange rates. Absolute numbers presented in the tables are rounded for presentational purposes, whereas the growth percentages are calculated on unrounded numbers.

Adjusted performance Continuing operations	**2020 £m**	FX £m	2020 at constant currency £m	Underlying growth £m	2019 £m	Change %	Change in constant currency %
Revenue	**2 882**	(65)	2 817	62	2 755	5%	2%
Food & Beverage Solutions	**162**	(5)	157	14	143	13%	10%
Sucralose	**63**	(2)	61	–	61	4%	1%
Primary Products	**158**	(5)	153	5	148	7%	3%
Central	**(52)**	1	(51)	(4)	(47)	(10%)	(9%)
Adjusted operating profit	**331**	(11)	320	15	305	9%	5%
Net finance expense	**(28)**	1	(27)	(1)	(26)	(7%)	(4%)
Share of profit after tax of joint ventures	**28**	(1)	27	(3)	30	(8%)	(9%)
Adjusted profit before tax	**331**	(11)	320	11	309	7%	4%
Adjusted income tax expense	**(59)**	1	(58)	7	(65)	9%	11%
Adjusted profit after tax	**272**	(10)	262	18	244	11%	8%
Adjusted diluted EPS (pence)	**57.8p**	(1.7)p	56.1p	4.1p	52.0p	11%	8%

Impact of changes in exchange rates

The Group's reported financial performance at average rates of exchange for the year ended 31 March 2020 was favourably impacted by currency translation. The average and closing US dollar and euro exchange rates used to translate reported results were as follows:

	Average rates		**Closing rates**	
Year ended 31 March	**2020**	2019	**2020**	2019
US dollar : sterling	**1.27**	1.31	**1.25**	1.30
Euro : sterling	**1.14**	1.13	**1.13**	1.16

For the year ended 31 March 2020, net foreign exchange translation increased Food & Beverage Solutions adjusted operating profit by £5 million, increased Sucralose adjusted operating profit by £2 million and increased Primary Products adjusted operating profit by £5 million, with adjusted profit before tax for the Group increasing in total by £11 million.

The sensitivity of the Group's results to changes in US dollar currency translation rates for the year ending 31 March 2021 is expected to be around £2.5 million for the annual impact of a one cent change on adjusted profit before tax.

RATIO ANALYSIS

		31 March 2020	31 March 2019
Net debt to EBITDA			
=	Net debt[1]	**451**	337
	EBITDA	**492**	446
		= 0.9 times	= 0.8 times
Earnings dividend cover			
=	Adjusted basic earnings per share from continuing operations	**58.6**	52.8
	Dividend per share	**29.6**	28.9
		= 2.0 times	= 1.8 times
Cash dividend cover			
=	Adjusted free cash flow from continuing operations[2]	**247**	212
	Cash dividends	**137**	134
		= 1.8 times	= 1.6 times
Return on capital employed			
=	Profit before interest, tax and exceptional items from continuing operations	**320**	294
	Average invested operating capital from continuing operations	**1 832**	1 718
		= 17.5%	= 17.1%
Gearing[3]			
=	Net debt[1]	**451**	337
	Total equity	**1 399**	1 489
		= 32%	= 23%

1 IFRS 16 leases was adopted at the beginning of the year without restating comparatives. For the ratio calculated at 31 March 2020, IFRS 16 lease liabilities increased net debt by £162 million and EBITDA by £35 million. On a like-for-like basis, the net debt to EBITDA ratio was 0.6 times.

2 Also as a result of the adoption of IFRS 16 leases without restating comparatives, lease payments are now classified as financing rather than operating cash flows, increasing adjusted free cash flow by £34 million.

3 IFRS 16 leases was adopted at the beginning of the year without restating comparatives. On a like-for-like basis the gearing ratio was 20%.

All ratios are calculated based on unrounded figures in £ million. Net debt to EBITDA, Adjusted Free cash flow, Average invested operating capital and return on capital employed are defined and reconciled in Note 3 of the attached financial information.