23 May 2019

TATE & LYLE

TATE & LYLE PLC STATEMENT OF FULL YEAR RESULTS

For the year ended 31 March 2019

Year ended 31 March[1] Continuing operations £m unless stated otherwise	Adjusted results 2019	2018 (restated)	Constant currency change	Statutory results 2019	2018	Change
Sales	**2 755**	2 710	2%			2%
Profit before tax (PBT)	**309**	296	4%	**240**	286	(16%)
Diluted earnings per share	**52.0p**	49.4p	4%	**38.6p**	56.1p	(31%)
Net debt – at 31 March				**337**	392	
Dividend per share				**29.4p**	28.7p	2.4%

Key highlights

- Group delivered solid financial progress
  - Food & Beverage Solutions maintained momentum
  - Sucralose performed strongly
  - Primary Products volume in line with prior year despite challenging market conditions
- Progress on each of 'Sharpen, Accelerate, Simplify' priorities
- Four-year US$100m productivity programme on track, with benefits offsetting cost inflation
- Strengthened balance sheet provides flexibility to invest in long-term growth

Financial highlights

- 3% increase in Food & Beverage Solutions profit[3] to £143m, volume 3% higher
  - Volume up 3% in North America, up 15% in Emerging Markets, down 2% in Europe, Middle East and Africa
  - Sales 5% higher[2], up in all regions
- 11% increase in Sucralose profit[3] to £61m, volume 16% higher
- 11% decrease in Primary Products profit[3] to £148m, volume in line with prior year
  - Sweeteners and Starches profit[3] 5% lower due to higher input costs
  - Commodities profit[3] £10m lower following exceptionally strong profits in fiscal 2018
- Group statutory profit before tax 16% lower due to net exceptional costs of £58m (£49m non-cash)
- 4% increase[2] in adjusted profit before tax
- 4% increase[2] in adjusted diluted earnings per share
- Adjusted free cash flow higher at £212m
- 90bps improvement in return on capital employed to 17.1%
- Proposed final dividend of 20.8p per share; full year dividend of 29.4p per share up 2.4%

Nick Hampton, Chief Executive, said:

"I am encouraged by our progress over the past year. The Group delivered solid financial results and we are starting to see real momentum from the three priorities I set out last year to sharpen the focus on our customers, accelerate portfolio development and simplify our business.

In Food & Beverage Solutions top-line momentum continued with solid volume growth in North America and double-digit growth in Emerging Markets. Sucralose performed particularly strongly. Primary Products did well to deliver steady volume in the face of challenging market conditions. Across the business, strong cost discipline helped offset higher than expected input costs and operational execution was excellent, particularly during the extreme cold weather in the US in early 2019.

For the year ending 31 March 2020, we expect continuing progress in Food & Beverage Solutions and gains from productivity initiatives to offset both lower Sucralose profits and continued market challenges in Primary Products. As a result we expect earnings per share growth[4] in constant currency to be broadly flat to low-single digit."

1 The adjusted results for the year ended 31 March 2019 have been adjusted to exclude exceptional items, amortisation of acquired intangible assets, the tax on those adjustments and tax items that themselves meet the definition to be treated as exceptional. Adjusted free cash flow and return on capital employed are also adjusted metrics. A reconciliation of statutory and adjusted information is included in Note 3 to the Financial Information. The adjusted results for the year ended 31 March 2018 have been restated to include net retirement benefit interest (2018 – £5 million) and associated tax.
2 Percentage change in constant currency
3 Adjusted operating profit, percentage change in constant currency
4 Adjusted diluted earnings per share from continuing operations at constant currency, growth after adopting IFRS 16 (which is expected to reduce earnings per share growth by circa 1ppt in fiscal 2020)

FINANCIAL HIGHLIGHTS

Year ended 31 March Continuing operations	2019 £m	2018 £m (restated)	Change	Constant currency change
Sales:				
– Food & Beverage Solutions	**889**	850	5%	5%
– Sucralose	**164**	146	12%	13%
– Primary Products	**1 702**	1 714	(1%)	(1%)
Sales	**2 755**	2 710	2%	2%
Adjusted operating profit				
– Food & Beverage Solutions	**143**	137	5%	3%
– Sucralose	**61**	55	10%	11%
– Primary Products	**148**	166	(11%)	(11%)
– Central	**(47)**	(58)		
Adjusted operating profit	**305**	300	2%	1%
Net finance expense	**(26)**	(32)		
Share of profit after tax of joint ventures and associates	**30**	28	7%	9%
Adjusted profit before tax	**309**	296	4%	4%
Adjusted effective tax rate	**21.0%**	21.5%		
Adjusted diluted earnings per share	**52.0p**	49.4p	5%	4%
Adjusted free cash flow	**212**	196		
Net debt – at 31 March	**337**	392		

The adjusted results for the year ended 31 March 2019 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. The adjusted results for the year ended 31 March 2018 have been restated to include net retirement benefit interest and associated tax. Growth percentages are calculated on unrounded numbers.

- Food & Beverage Solutions adjusted operating profit of £143m:
  - 3% higher profit after annualising growth investments in Emerging Markets (made in fiscal 2018) and cost inflation.
  - 2% increase in New Products sales (under 7-year definition) to £95m, up 42% on a like-for-like basis[1].
- Sucralose profit 11% higher to £61m, due to stronger volume, and £3m one-off gain from supply contract.
- Primary Products adjusted operating profit of £148m:
  - 5% lower profit in Sweeteners and Starches, due to inflationary headwinds, partially offset by mix management and cost discipline. The year benefited from a £4m insurance recovery.
- Productivity programme benefits offset £25m impact of unanticipated cost inflation.
- Central costs at £47m, £11m lower reflecting cost discipline and lower insurance costs.
- Net finance costs £6m lower at £26m, benefiting from lower post-retirement benefit interest following the decision in the prior year to accelerate funding of the main US pension scheme.
- Share of profit after tax of joint ventures and associates 9% higher, with strong performance in Bio-PDO™.
- Net exceptional costs of £58m (mainly in the first half), with net exceptional cash inflow of £12m. Exceptional items relate to actions to focus the portfolio and simplify the business comprising:
  - £43m charge on the sale of our oats ingredients business after a strategic review (£3m cash inflow)
  - £13m restructuring charge as part of the simplification programme (£6m cash outflow)
  - £14m net gain from the sale and lease back of railcars (£16m cash inflow)
  - £16m provision for asset remediation following the Group-wide safety review (£1m cash outflow)
- Adjusted effective tax rate for continuing operations of 21.0% (2018 – 21.5%), primarily reflecting favourable tax settlements. Adjusted effective tax rate for fiscal 2020 expected between 21.5% and 23.5%.
- Group statutory profit before tax of £240m was £46m lower due to higher exceptional costs.
- Adjusted free cash flow increased to £212m. Capital expenditure at £130m was £1m lower than the prior year. We expect capital expenditure for fiscal 2020 to be between £140m and £160m.
- Net debt at £337m, £55m lower than at 31 March 2018. Net debt:EBITDA reduced[2] to 0.8x (2018 – 0.9x).

1. Three ingredients were removed from New Products during the year since they were launched more than seven years ago; like-for-like growth assumes those ingredients remain included in New Products
2. Calculated on the new simplified definition, see Note 3

Overview

At the start of the year, we set out to execute our strategy through three key priorities and to build an organisation with a strong sense of purpose and a more dynamic culture. We made good progress in each of these areas over the year. Customer focus is now sharper across the business and innovation has accelerated. Operational execution has improved, with our US plants performing well through the extreme cold weather in early calendar 2019. Cost discipline is also much stronger with the introduction of zero-based budgeting. This discipline, together with our simplification and productivity agenda, helped to offset cost inflation during the year. Finally, the new leadership team is driving greater pace and agility across the entire organisation. Overall, while we continue to operate in challenging market conditions, the business is moving in the right direction. Together with our robust balance sheet, we enter the new financial year in a strong position.

Programmes to accelerate business performance: Sharpen, Accelerate, Simplify

In May 2018, we announced three priorities to accelerate business performance – sharpen the focus on our customers; accelerate portfolio development; and simplify the business. These priorities have been embraced by our employees and are starting to drive real momentum across the business and with our customers.

Sharpen the focus on our customers

This priority is about us moving from being a valued ingredient supplier to a growth partner for our customers. Progress during the year included:

- Significantly increased interactions with customers at CEO, R&D and Sales & Marketing levels.
- Enhanced customer-facing capabilities with over 900 training days for the sales and technical teams.
- Completing the implementation of a category model in Food & Beverage Solutions across all regions in sales, applications and technical services. Our operating model now reflects how our customers are organised.
- Building a stronger customer pipeline with the global sales pipeline up 29% in the year.
- Implementing new customer management tools driving a c.40% increase in monthly customer calls.

Accelerate portfolio development

This priority is about accelerating new product development, building more external partnerships to speed up innovation, and making selective acquisitions and joint ventures in line with our strategy. Progress during the year included:

- 24% increase in the expected value of the innovation pipeline, with a greater emphasis on line extensions and projects to create new generations of existing ingredients (which generally deliver a faster payback).
- Acquisition of a 15% shareholding in Sweet Green Fields, a leading stevia player.
- Through our partnership with Codexis, developing a proprietary route to producing Reb M, a consumer preferred stevia sweetener, and accelerating the launch by 12 months of our Reb M product, TASTEVA® M Stevia Sweetener.
- Through increased open innovation efforts, developing contacts with over 170 start-ups and research institutions, signing five agreements in areas such as sweetener testing and new sources of fibre.

Simplify our business

This priority is about making the company simpler and easier to work in, streamlining the organisation, simplifying processes, and creating a culture of continuous improvement. As part of this, we are targeting US$100m of productivity benefits over a four-year period, and are on track to deliver this target. Progress in the year included:

- Implementing zero-based budgeting across the business.
- Simplifying the organisation to improve customer focus.
- Employing new tools and systems to drive efficiencies and reduce bureaucracy (e.g. new automated North American Transport System).
- Making capital investments to reduce costs and drive efficiencies (e.g. new gas boilers and dryers).

Purpose-driven organisation

Tate & Lyle's purpose is *Improving Lives for Generations*. Our people passionately believe that, through our purpose, we can successfully grow our business and have a positive impact on society. Working in partnership with our customers, we use our ingredients and expertise to help people make healthier and tastier choices when they eat and drink, and lead a more balanced lifestyle. Our purpose is a powerful motivator for our employees and also resonates with our customers. Our determination to make tasty food healthier and healthy food tastier gives our business real energy and momentum.

Sustainable business

A key part of how we live our purpose is acting as a responsible and sustainable business. In November, we announced a new partnership with Land 'O Lakes SUSTAIN, a leading conservation solutions provider, to advance conservation practices on Midwest farms, including the sourcing of sustainable corn. Then, in February, we entered into a partnership with an independent, international science-based NGO, Earthwatch, to undertake a research project on the sustainability of our stevia supply chain in China.

The safety of our people is foundational to our business. This year marked the first of our new multi-year environment, health and safety (EHS) programme – called the 'Journey to EHS Excellence'. While still in its early stages, this programme is having a very positive impact on our EHS culture and we expect to see progress in our safety performance over time as the programme is embedded across the organisation.

Summary

This was a year of progress, with good operational and commercial execution and strong cost control helping to deliver solid financial performance in the face of challenging market conditions. With a clear strategy and priorities, strong leadership team, the expertise and commitment of our people, the power of our purpose, and a portfolio of products aligned to growing global trends of healthier and tastier food and drink, Tate & Lyle remains well-positioned to deliver growth over the long-term.

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 2019 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 Conference Call Details

A presentation of the results by Chief Executive, Nick Hampton, and Chief Financial Officer, Imran Nawaz, will be audio webcast live at 10.00 (BST) on Thursday 23 May 2019. To view and/or listen to a live audio-cast of the presentation, visit https://brrmedia.news/wtj7h. Please note that remote listeners will not be able to ask questions during the Q&A session.

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

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

Dial in details:
UK dial in number: +44 (0)330 336 9127
US dial in number: +1 323 794 2094
Password: 9121419

There will be no replay facility for the teleconference. Please use the link above to view the webcast replay.

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SEGMENTAL OPERATING PERFORMANCE

Food & Beverage Solutions

Year ended 31 March Continuing operations	2019 Volume change
Volume	
North America	3%
Asia Pacific and Latin America	15%
Europe, Middle East and Africa	(2%)
Total	3%

	2019 £m	2018 £m	Change %	Constant currency change %
Sales				
North America	430	416	3%	2%
Asia Pacific and Latin America	201	184	9%	13%
Europe, Middle East and Africa	258	250	3%	4%
Total	889	850	5%	5%
Adjusted operating profit	143	137	5%	3%

Solid top-line performance with momentum in North America

Volume was 3% higher while sales at £889 million increased by 5% in constant currency. Adjusted operating profit was 3% higher in constant currency with the benefit of higher volume partially offset by the absorption of growth investments in Emerging Markets in fiscal 2018, and higher input costs. Productivity benefits partially offset increased input costs. The effect of currency translation was to decrease sales by £3 million, but increase adjusted operating profit by £3 million.

In March 2019, we completed the sale of our oats ingredients business as it no longer fits well with the mainstream food categories on which we focus. An exceptional charge of £43 million was recognised in relation to this sale.

<u>North America</u>

We saw continued top-line momentum with volume up 3%. Growth was delivered despite the overall US food and beverage market being largely flat.

We continue to pursue our long-term strategy of driving growth in three main areas:

(1) Winning new business in targeted higher-growth sub-categories across dairy, beverage, bakery and health and nutrition, where our technical depth, expertise and solutions are providing increasing value to our customers;
(2) Developing our business in customer channels growing faster than the overall market, such as food service and own label; and
(3) Gaining share in larger food and beverage customers by partnering with them to drive productivity, helping them grow in faster growing sub-categories and reformulating to provide healthier alternatives.

Higher volume was driven by progress across a range of categories, notably in beverages and dairy, bakery and nutrition, and by gaining share in our larger customers. Sales at £430 million grew by 2% in constant currency.

Asia Pacific and Latin America

Volume was 15% higher, with double digit growth in both regions. Sales increased by 13% in constant currency to £201 million.

In Asia Pacific, we grew volume in all sub-regions, with growth in dairy in China, and double digit volume growth in beverages and soups, sauces and dressings mainly in South East Asia.

In Latin America, we saw strong growth in Mexico in beverages, and in the Southern Cone in soups, sauces and dressings and in bakery. Volume was lower in Brazil reflecting weaker macroeconomic conditions.

Europe, Middle East and Africa

Volume decreased by 2%, while sales at £258 million increased by 4% in constant currency as we exited some lower margin texturant business to improve mix.

The capacity expansion of high-grade maltodextrin (used in categories such as baby food) at our facility in Slovakia is progressing well, and is expected to come on line in the second half of the 2019 calendar year.

New Products

Sales of New Products increased by 2% in constant currency to £95 million. Three ingredients were removed from New Products during the year since they were launched more than seven years ago; had those ingredients been included in New Products, sales growth in constant currency would have been 42%.

Consumers are increasingly seeking food and beverages with reduced sugar and our PROMITOR® Soluble Fibre saw increased use in formulating sugar out, with strong growth in beverages and confectionery, and as a fibre enrichment solution in bakery. We saw good growth from our stevia sweetener portfolio, mainly in beverages, while Non-GMO texturants and clean label starches from our CLARIA® line of functional starches also grew strongly.

In April 2019, the US Food and Drug Administration published draft guidance exempting allulose from the 'Sugars' and 'Added Sugars' line of the Nutrition Facts Panel in the US. This decision clears the way for food and beverage manufacturers in the US to incorporate allulose in their products to deliver calorie and sugar reduction.

Sucralose

Year ended 31 March Continuing operations	2019 £m	2018 £m	Change %	Constant currency change %
Volume			16%	
Sales	**164**	146	12%	13%
Adjusted operating profit	**61**	55	10%	11%

Strong results

Sucralose volume increased 16% benefiting from a programme to improve production efficiency at our facility in McIntosh, Alabama and the optimisation of inventory levels. Sales were 13% higher in constant currency at £164 million following softer pricing driven by surplus industry capacity. Higher volume, higher North American input costs and a £3 million one-off gain from a supply contract, combined to deliver 11% higher adjusted operating profit in constant currency, at £61 million.

While overall market demand for sucralose continues to grow, market prices are expected to continue to moderate reflecting increases in industry supply from Chinese manufacturers.

The effect of currency translation was to reduce sales by £1 million, and adjusted operating profit by £1 million.

Primary Products

Year ended 31 March Continuing operations	2019 Volume change
Volume	
North American Sweeteners	**0%**
North American Industrial Starches	**(2%)**
Total Primary Products	**0%**

	2019 £m	2018 £m	Change %	Constant currency change %
Sales				
Total Primary Products	**1 702**	1 714	(1%)	(1%)
Adjusted operating profit				
Sweeteners and Starches	**126**	134	(6%)	(5%)
Commodities	**22**	32	(30%)	(33%)
Total Primary Products	**148**	166	(11%)	(11%)

Volume in line, profit lower in a challenging environment

Overall volume was in line with the prior year. Adjusted operating profit of £148 million decreased by £18 million. Adjusted operating profit in Sweeteners and Starches was 5% lower than the prior year in constant currency reflecting the adverse impact of materials and transport cost inflation in North America. Mix management, cost discipline and productivity gains partially mitigated this inflationary pressure, while production at our plant network stood up well to the extreme cold weather conditions in the US in early 2019. The year also benefited from a £4 million insurance recovery. Commodities profit reduced by £10 million to £22 million following exceptionally strong profits in the 2018 financial year. The effect of currency translation was to increase sales by £6 million, with no material impact on adjusted operating profit.

<u>Sweeteners</u>

Volume was in line with the prior year as increased demand from our Bio-PDO™ joint venture and firm exports to Mexico offset weaker demand for bulk sweeteners in the US. This was driven by lower demand for carbonated soft drinks in the US, which weakened during the year, reflecting higher pricing and lower promotional intensity within that category. Bulk sweetener unit margins for the 2018 calendar year had been contracted at levels broadly in line with the previous year. As a result, margins during the 2019 financial year were impacted by higher input costs.

The 2019 calendar year bulk sweetener pricing round delivered unit margins broadly in line with the previous year.

<u>Industrial Starches</u>

Volume was 2% lower as we managed mix by reallocating grind to optimise returns from our corn wet milling assets. In the overall industrial starch market, growth in demand for tissue and packaging, fuelled by increased online shopping, has offset a decline in printing and writing paper.

<u>Commodities</u>

Commodities delivered a profit of £22 million, £10 million lower than the prior year, following an exceptionally strong performance in fiscal 2018. Weaker prices for soy, a competitive animal nutrition source, reduced opportunities for the Group's co-products in the year. Returns on corn oil were also lower. US ethanol cash margins weakened and remain at the low-end of the historical range with industry inventories high.

Other Matters

Board changes

Warren Tucker joined the Board on 19 November 2018 as a non-executive director and a member of the Audit, Remuneration and Nominations Committees. Warren, a Chartered Accountant, served as CFO on the Board of Cobham Plc for 10 years until 2013. Warren is a non-executive director of Reckitt Benckiser Group plc and of Survitec Topco Ltd.

Kimberly (Kim) Nelson will join the Board as a non-executive director and a member of the Audit and Nominations Committees on 1 July 2019. Kim brings extensive experience and knowledge of the food and beverage industry to the Board having worked for General Mills Inc. for nearly 30 years.

Douglas Hurt will retire from the Board on 25 July 2019, following the Company's Annual General Meeting, having served as a non-executive director since March 2010, as the Chair of the Audit Committee since March 2015 and as Senior Independent Director since January 2017.

On 25 July 2019, several further changes to Board responsibilities will come into effect, including the appointment of Warren Tucker as Chair of the Audit Committee and Paul Forman as Senior Independent Director.

The geopolitical trade environment

On 30 September 2018, the United States, Canada, and Mexico announced they had reached agreement in principle on a new trilateral trade agreement to replace the North American Free Trade Agreement (or NAFTA) called The United States-Mexico-Canada Agreement (USMCA). This represented an important step forward, particularly as Mexico is a key export market for the corn wet milling industry, notably for high fructose corn syrup. Each of the three countries are now in the process of ratifying USMCA through their constitutional channels.

Trade discussions between the United States and China are ongoing and, like other US exporters into China, we continue to monitor progress closely.

Summary of financial results for the year ended 31 March 2019 (audited)

Year ended 31 March[1] Continuing operations unless stated otherwise	2019 £m	Restated* 2018 £m	Change %	Constant currency change %
Sales	**2 755**	2 710	2%	2%
Adjusted operating profit				
- Food & Beverage Solutions	**143**	137	5%	3%
- Sucralose	**61**	55	10%	11%
- Primary Products	**148**	166	(11%)	(11%)
- Central	**(47)**	(58)		
Adjusted operating profit	**305**	300	2%	1%
Net finance expense	**(26)**	(32)		
Share of profit after tax of joint ventures and associates	**30**	28	7%	9%
Adjusted profit before tax	**309**	296	4%	4%
Exceptional (loss)/gain	**(58)**	2		
Amortisation of acquired intangible assets	**(11)**	(12)		
Profit before tax	**240**	286		
Income tax expense	**(59)**	(23)		
Profit for the year – continuing operations	**181**	263		
Profit for the year – discontinued operations	**–**	2		
Profit for the year – total operations	**181**	265		
Earnings per share – continuing operations (pence)				
Basic	**39.2p**	57.0p	(31%)	
Diluted	**38.6p**	56.1p	(31%)	
Adjusted earnings per share – continuing operations (pence)				
Basic	**52.8p**	50.3p	5%	4%
Diluted	**52.0p**	49.4p	5%	4%
Cash flow and net debt				
Adjusted free cash flow	**212**	196		
Net debt	**337**	392		

* Comparatives restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS, and the calculation (where relevant) of any ratios, in Notes 2 and 3.

Sales from continuing operations of £2,755 million were 2% higher than the prior year (2% higher at constant currency).

On a statutory basis, profit before tax from continuing operations decreased by £46 million to £240 million driven predominantly by a net exceptional charge of £58 million (2018 – gain of £2 million). Statutory diluted earnings per share from continuing operations decreased by 17.5p to 38.6p due to higher exceptional charges and an increased statutory effective tax rate of 24.4% (2018 – 8.1%).

Adjusted profit before tax from continuing operations at £309 million was £13 million higher than the prior year (4% in constant currency). Adjusted diluted earnings per share from continuing operations increased by 2.6p to 52.0p (4% in constant currency) reflecting higher adjusted profit before tax.

Central costs

Central costs, which include head office costs, treasury and legal activities, were £11 million lower at £47 million, reflecting cost discipline and lower insurance costs.

Net finance expense

Net finance expense from continuing operations was £6 million lower compared to the prior year at £26 million, driven by lower net retirement benefit interest expense following the prior year decision to accelerate funding of the main US pension schemes, and increased finance income from cash deposits.

Share of profit after tax of joint ventures and associates

The Group's share of profit after tax of joint ventures and associates of £30 million was 9% higher in constant currency reflecting stronger operating performance at DuPont Tate & Lyle Bio Products (Bio-PDO™) which also benefited from lower US tax rates.

Exceptional items from continuing operations

In the year ended 31 March 2019, the Group recognised a net exceptional charge of £58 million, and a net exceptional cash inflow of £12 million. Exceptional items arose from actions to focus the portfolio and simplify the business and comprised:

- £43 million charge on sale of the oats ingredients business after a strategic review (£3 million cash inflow).
- £13 million restructuring charge as part of the simplification programme (£6 million cash outflow).
- £14 million net gain from the sale and lease back of railcars (£16 million cash inflow).
- £16 million provision for asset remediation following the Group-wide safety review (£1 million cash outflow).

During the year ended 31 March 2018, the Group recognised a net exceptional gain of £2 million.

More details on the exceptional items can be found in Note 5 to the attached financial information.

Taxation

The adjusted effective tax rate on earnings for continuing operations for the year ended 31 March 2019 decreased to 21.0% (2018 – 21.5%) primarily reflecting favourable tax settlements. The reported effective tax rate (on statutory earnings) was 24.4% (2018 – 8.1%), the increase reflecting net exceptional costs recognised during the year, the majority of which were not tax deductible. In the year ended 31 March 2018, the Group's effective tax rate of 8.1% reflected the recognition of significant exceptional deferred tax credits recorded in that year.

The recognition and measurement of deferred tax assets and liabilities is dependent on a number of key judgements, estimates and assumptions. Changes in assumptions, along with future changes in legislation, could have a material impact on the amount of tax recognised in future accounting periods.

We estimate that the adjusted effective tax rate for the 2020 fiscal year will be in the range of 21.5% to 23.5%.

Earnings per share

Adjusted basic earnings per share from continuing operations increased by 5% (4% in constant currency) to 52.8p and adjusted diluted earnings per share from continuing operations at 52.0p were also 5% higher (4% in constant currency). Statutory diluted earnings per share from continuing operations decreased by 17.5p or 31% to 38.6p reflecting higher exceptional charges and an increased statutory effective tax rate.

Dividend

The Board is recommending a 0.5p or 2.5% increase in the final dividend to 20.8p (2018 – 20.3p) per share. This increased final dividend makes a full year dividend of 29.4p (2018 – 28.7p) per share, up 2.4% on the prior year. Subject to shareholder approval, the proposed final dividend will be due and payable on 31 July 2019 to all shareholders on the Register of Members on 21 June 2019. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan (DRIP) alternative.

Cash flow and net debt

	Year ended 31 March[1] 2019 £m	2018 £m
Adjusted operating profit from continuing operations	**305**	300
Adjusted for:		
Non-cash items in adjusted operating profit and working capital	**143**	121
Net retirement benefit obligations	**(25)**	(94)
Less: accelerated US defined benefit schemes contribution (exceptional cash flows)	**–**	56
Capital expenditure	**(130)**	(131)
Net interest and tax paid	**(81)**	(36)
Less: cash tax benefit on accelerated contribution (exceptional cash flows)	**–**	(20)
Adjusted free cash flow	**212**	196

	At 31 March 2019 £m	2018 £m
Net debt	**337**	392

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS, and the calculation where relevant of any ratios, in Notes 2 and 3.

Adjusted free cash flow (representing cash generated from continuing operations after net interest paid, income tax paid, and capital expenditure, and excluding the impact of exceptional items) was £212 million, £16 million higher than the prior year.

Capital expenditure of £130 million, which included a £27 million investment in intangible assets, was 0.9 times the depreciation and adjusted amortisation charge of £141 million and reflects continued investment in capacity as well as safety, efficiency and sustaining investments. We expect capital expenditure for the 2020 financial year to be between £140 million and £160 million.

Other significant cash flows in arriving at net debt included: £21 million of dividends received from joint ventures; external dividend payments of £134 million; £8 million payment related to satisfying share option commitments, net cash inflows relating to exceptional items of £12 million; and £29 million investments in equity interests and non-controlling interests.

Overall net debt at 31 March 2019 of £337 million was £55 million lower than at 31 March 2018. Net debt decreased by £76 million in the year (2018 – decrease of £25 million) before the adverse impact of exchange rates. Foreign currency translation, mainly due to the stronger US dollar, increased net debt by £21 million.

Adoption of new IFRS leasing standard

IFRS 16 “Leases” was adopted on 1 April 2019 using the ‘modified retrospective’ adoption methodology, meaning that comparative financial information will not be restated. Adoption of the standard will have no business impact, but will change some key performance measures including a reduction in diluted earnings per share. As a result, adjusted diluted earnings per share growth in fiscal 2020 is expected to reduce by circa 1 percentage point.

Retirement benefits

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

The Group’s retirement benefits moved into an overall net surplus in the 2018 financial year, primarily as a result of an exceptional funding payment into the US scheme. The net surplus increased by £6 million to £24 million as at 31 March 2019.

Under funding arrangements in connection with the 2016 actuarial valuation, the Group committed to make core funding contributions for the main UK scheme of £12 million per year and supplementary contributions of £6 million per year until 31 March 2023 into a secured funding account, payable to the Trustee on certain triggering events or as mutually agreed between the Company and Trustee. In the year ended 31 March 2019 cash flows in respect of post-retirement benefit obligations of £29 million included core funding contributions of £12 million, the supplementary contribution of £6 million as well as payments to the US plan and US retirement medical plan of £4 million and £3 million respectively.

The next triennial valuation for the UK main scheme is due as at 31 March 2019 and is expected to be concluded in calendar 2020.

Basis of preparation

The Group's principal accounting policies are unchanged compared with the year ended 31 March 2018. Two new accounting standards have been adopted during the year, although they have had no material effect on the Group's financial statements. Refer to Note 15 for further details.

Details of the basis of preparation, including information in respect of the Group's alternative performance measures, can be found in Note 2 to the attached financial information. Growth percentages are calculated on unrounded numbers.

Impact of changes in exchange rates

The Group's reported financial performance at average rates of exchange for the year ended 31 March 2019 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	**2019**	2018	**2019**	2018
US dollar : sterling	**1.31**	1.33	**1.30**	1.40
Euro : sterling	**1.13**	1.13	**1.16**	1.14

For the year ended 31 March 2019, net foreign exchange translation increased Food & Beverage Solutions adjusted operating profit by £3 million, decreased Sucralose adjusted operating profit by £1 million and had no net impact on Primary Products adjusted operating profit, with adjusted profit before tax for the Group increasing in total by £2 million.

The sensitivity of the Group's results to changes in US dollar currency translation rates for the year ending 31 March 2020 is expected to be around £2.2 million for the annual impact of a one cent change on adjusted profit before tax.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2019	2018
	Notes	**£m**	£m
Continuing operations			
Sales	4	**2 755**	2 710
Operating profit		**236**	290
Finance income	6	**5**	2
Finance expense	6	**(31)**	(34)
Share of profit after tax of joint ventures and associates		**30**	28
Profit before tax		**240**	286
Income tax expense	7	**(59)**	(23)
Profit for the year - continuing operations		**181**	263
Profit for the year - discontinued operations		**–**	2
Profit for the year - total operations		**181**	265

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	**39.2p**	57.0p
– diluted	8	**38.6p**	56.1p
Total operations:			
– basic	8	**39.2p**	57.4p
– diluted	8	**38.6p**	56.5p

Analysis of adjusted profit for the year – continuing operations		**£m**	Restated* £m
Profit before tax		**240**	286
Adjusted for:			
Net exceptional charge/(gain)	5	**58**	(2)
Amortisation of acquired intangible assets		**11**	12
Adjusted profit before tax	3	**309**	296
Adjusted income tax expense	3, 7	**(65)**	(64)
Adjusted profit for the year	3	**244**	232

* Comparatives restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2019 £m	2018 £m
Profit for the year		**181**	265
Other comprehensive income/(expense)			
Items that have been/may be reclassified to profit or loss:			
Gain/(loss) on currency translation of foreign operations		**75**	(122)
Fair value (loss)/gain on net investment hedges		**(24)**	39
Share of other comprehensive income/(expense) of joint ventures and associates		**4**	(9)
Amounts transferred to the income statement upon disposal of associate	14	**–**	(1)
Fair value gain on cash flow hedges transferred to the income statement		**–**	(4)
Fair value gain on available-for-sale financial assets		**–**	3
Tax effect of the above items		**–**	–
		55	(94)
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit plans			
– return on plan assets	11	**29**	2
– net actuarial (loss)/gain on retirement benefit obligations	11	**(34)**	41
Changes in the fair value of equity investments at fair value through OCI		**2**	–
Tax effect of the above items		**10**	(33)
		7	10
Total other comprehensive income/(expense)		**62**	(84)
Total comprehensive income		**243**	181
Analysed by:			
– continuing operations		**243**	179
– discontinued operations		**–**	2
Total comprehensive income		**243**	181

Total comprehensive income is entirely attributable to owners of the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March 2019 £m	2018 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**342**	360
Property, plant and equipment		**982**	965
Investments in joint ventures		**102**	85
Investments in equities		**59**	–
Available-for-sale financial assets		**–**	37
Retirement benefit surplus	11	**207**	178
Deferred tax assets		**3**	7
Trade and other receivables		**2**	3
Derivative financial instruments		**–**	8
		1 697	1 643
Current assets			
Inventories		**434**	419
Trade and other receivables		**325**	294
Current tax assets		**4**	1
Derivative financial instruments		**48**	24
Cash and cash equivalents	10	**285**	190
		1 096	928
TOTAL ASSETS		**2 793**	2 571
EQUITY			
Capital and reserves			
Share capital		**117**	117
Share premium		**406**	406
Capital redemption reserve		**8**	8
Other reserves		**217**	159
Retained earnings		**741**	677
Equity attributable to owners of the Company		**1 489**	1 367
TOTAL EQUITY		**1 489**	1 367
LIABILITIES			
Non-current liabilities			
Borrowings	10	**373**	554
Retirement benefit deficit	11	**183**	160
Deferred tax liabilities		**46**	42
Provisions		**20**	15
Trade and other payables		**–**	10
Derivative financial instruments		**1**	21
		623	802
Current liabilities			
Borrowings	10	**224**	16
Trade and other payables		**342**	312
Provisions		**24**	5
Current tax liabilities		**45**	57
Derivative financial instruments		**46**	12
		681	402
TOTAL LIABILITIES		**1 304**	1 204
TOTAL EQUITY AND LIABILITIES		**2 793**	2 571

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March 2019 £m	2018 £m
Cash flows from operating activities			
Profit before tax from continuing operations		**240**	286
Adjustments for:			
Depreciation of property, plant and equipment		**112**	114
Amortisation of intangible assets		**40**	40
Share-based payments		**18**	15
Exceptional income statement items	5	**51**	(4)
Net finance expense	6	**26**	32
Share of profit after tax of joint ventures and associates		**(30)**	(28)
Net retirement benefit obligations, comprising:			
Accelerated US defined benefit schemes contribution (exceptional)	5	**–**	(56)
Underlying funding		**(25)**	(38)
Changes in working capital and other non-cash movements		**(16)**	(36)
Cash generated from continuing operations		**416**	325
Net income tax paid, comprising:			
Cash tax benefit on accelerated contribution (exceptional)	5	**–**	20
Net underlying income tax paid		**(58)**	(31)
Interest paid		**(28)**	(27)
Cash used in discontinued operations		**–**	(1)
Net cash generated from operating activities		**330**	286
Cash flows from investing activities			
Purchase of property, plant and equipment		**(103)**	(111)
Disposal of property, plant and equipment (exceptional)	5	**3**	–
Investments in intangible assets		**(27)**	(20)
Disposal of associates	14	**–**	5
Purchase of equity investments		**(20)**	–
Disposal of equity investments		**3**	–
Purchase of available-for-sale financial assets		**–**	(8)
Disposal of available-for-sale financial assets		**–**	4
Acquisition of non-controlling interest	14	**(9)**	–
Interest received		**5**	2
Dividends received from joint ventures and associates		**21**	26
Sale and leaseback of railcars (exceptional)	5	**16**	–
Net cash used in investing activities		**(111)**	(102)
Cash flows from financing activities			
Purchase of own shares including net settlement		**(8)**	(27)
Cash inflow from additional borrowings		**5**	4
Cash outflow from repayment of borrowings		**(1)**	(77)
Repayment of capital element of finance leases		**(2)**	(1)
Dividends paid to the owners of the Company	9	**(134)**	(131)
Net cash used in financing activities		**(140)**	(232)
Net increase/(decrease) in cash and cash equivalents	10	**79**	(48)
Cash and cash equivalents:			
Balance at beginning of year		**190**	261
Net increase/(decrease) in cash and cash equivalents		**79**	(48)
Currency translation differences		**16**	(23)
Balance at end of year	10	**285**	190

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 2017	523	8	253	548	1 332
Profit for the year - total operations	–	–	–	265	265
Other comprehensive (expense)/income	–	–	(94)	10	(84)
Total comprehensive (expense)/income	–	–	(94)	275	181
Share-based payments, net of tax	–	–	–	12	12
Purchase of own shares to trust or treasury	–	–	–	(27)	(27)
Dividends paid (Note 9)	–	–	–	(131)	(131)
At 31 March 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**

Total equity is entirely attributable to owners of the Company.

NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

1. Background

The financial information on pages 14 to 33 is extracted from the Group's consolidated financial statements for the year ended 31 March 2019, which were approved by the Board of Directors on 22 May 2019.

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

The Company's auditors, Ernst & Young LLP, have given an unqualified report on the consolidated financial statements for the year ended 31 March 2019. The auditors' report did not include reference to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders on 25 July 2019 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 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS.

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

The Group's principal accounting policies have been consistently applied throughout the year and will be set out in the notes to the Group's 2019 Annual Report.

Accounting standards adopted during the year

In the current year, the Group has adopted, with effect from 1 April 2018, the following new accounting standards:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers

In accordance with the transitional provisions in IFRS 9 and IFRS 15 comparative figures have not been restated. The adoption of these new standards has not had a material effect on the Group's financial statements. Refer to Note 15 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 2018, and have not been adopted early:

a) IFRS 16 Leases (effective for the year commencing 1 April 2019)
The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model, requiring the recognition of lease commitments on the statement of financial position as liabilities and the recognition of associated 'right-of-use' (ROU) assets if the recognition criteria is met. The standard has no economic impact on the Group. It does not affect how the business is run and has no impact on cash flows.

The Group intends to use the modified retrospective transition approach and as permitted by the standard will not restate comparatives. Wherever practicable the Group will recognise ROU assets at the present value of the future lease payments at the original start of each lease, net of the implied accumulated depreciation up to the date of adoption of the standard.

The Group expects that the impact of adoption as at 1 April 2019 will be to create ROU assets of around £150 million recognised within non-current assets and lease liabilities of around £170 million recognised within current and non-current liabilities.

Key points arising on the adoption of the standard are as follows:

1. There will be a reduction in operating expenses and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense. The overall impact on the income statement is expected to reduce adjusted diluted earnings per share growth in the 2020 financial year by circa 1 percent.

2. Basis of preparation (continued)

2. Upon adoption net debt is expected to increase by around £170 million, reflecting the value of lease liabilities brought onto the balance sheet. Net debt to EBITDA is expected to increase by around 0.3 times.

3. Adjusted free cash flow, one of the Group's alternative performance measures, is expected to increase by around £30 million to £35 million as lease payments will be classified as financing rather than operating cash outflows.

4. The Group has opted to use the available practical expedients in respect of leases of less than 12 months duration and leases for low value items and excluded them from the scope of IFRS 16.

5. The adoption of IFRS 16 will require the Group to make a number of judgements, estimates and assumptions. These include:
– The term of each lease is assumed to be the original lease term unless management judges that it is reasonably certain to exercise options to extend the lease.
– The discount rates used to discount future lease payments are the Group's estimated incremental borrowing rates applicable to each asset. These rates reflect the underlying lease terms and are based on observable inputs.

b) IFRIC 23 Uncertainty over Income Tax Treatments (effective for the year commencing 1 April 2019)
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 financial impact of this, together with any other implications of this interpretation, is not expected to have a material 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 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 the 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.

Restatement: following the payments in the year ended 31 March 2018 to enhance the funding status of the Group's US pension schemes which reduced net retirement benefit interest to an immaterial level, the Group now includes net retirement benefit interest expense and the associated tax in its alternative performance measures. The adjusted results for the year ended 31 March 2018 have been restated accordingly:

.		**Year ended 31 March 2018**	
£m unless otherwise stated **Continuing operations**	**As reported**	**Adjusting items**	**Restated reported**
Adjusted profit before tax	301	(5)	296
Adjusted income tax expense	(66)	2	(64)
Adjusted profit for the year	235	(3)	232
Adjusted basic earnings per share (p)	50.9p	(0.6p)	50.3p
Adjusted diluted earnings per share (p)	50.1p	(0.7p)	49.4p
Adjusted effective tax rate	21.9%	(0.4%)	21.5%

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

2. Basis of preparation (continued)

Alternative performance measures reported by the Group are not defined terms under IFRS and may therefore not be comparable with similarly-titled measures reported by other companies. Reconciliations of the alternative performance measures to the most directly comparable IFRS measures are presented in Note 3.

Exceptional items

Exceptional items comprise items of income, 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: 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.

Following the payments in the year ended 31 March 2018 to enhance the funding status of the Group's US pension schemes which reduced net retirement benefit interest to an immaterial level, the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Adjusted results for the year ended 31 March 2018 have been restated accordingly as presented in Note 2.

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:

						Restated*
	Year ended 31 March 2019			Year ended 31 March 2018		
£m unless otherwise stated **Continuing operations**	**IFRS reported**	**Adjusting items**	**Adjusted reported**	IFRS reported	Adjusting items	Adjusted reported
Sales	**2 755**	**–**	**2 755**	2 710	–	2 710
Operating profit	**236**	**69**	**305**	290	10	300
Profit before tax	**240**	**69**	**309**	286	10	296
Income tax expense	**(59)**	**(6)**	**(65)**	(23)	(41)	(64)
Profit for the year	**181**	**63**	**244**	263	(31)	232
Basic earnings per share (pence)	**39.2p**	**13.6p**	**52.8p**	57.0p	(6.7p)	50.3p
Diluted earnings per share (pence)	**38.6p**	**13.4p**	**52.0p**	56.1p	(6.7p)	49.4p
Effective tax rate %	**24.4%**	**(3.4%)**	**21.0%**	8.1%	13.4%	21.5%

* Comparatives restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

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	**2019 £m**	Restated* 2018 £m
Exceptional loss/(gain) in operating profit	5	**58**	(2)
Amortisation of acquired intangible assets		**11**	12
Total excluded from adjusted profit before tax		**69**	10
Tax credit on adjusting items	7	**(6)**	(3)
Exceptional deferred tax credits	5, 7	**–**	(38)
Total excluded from adjusted profit for the year		**63**	(31)

* Comparatives restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

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, and capital expenditure, and excluding the impact of exceptional items. In the prior year the Group presented an additional cash flow alternative performance measure, 'Adjusted operating cash flow' but this is no longer used by the Group and so has been removed.

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

	Year ended 31 March	
	2019	2018
	£m	£m
Adjusted operating profit from continuing operations	**305**	300
Adjusted for:		
Depreciation and adjusted amortisation	**141**	142
Share-based payments charge	**18**	15
Changes in working capital and other non-cash movements	**(16)**	(36)
Net retirement benefit obligations	**(25)**	(94)
Less: accelerated US defined benefit schemes contribution (exceptional cash flows)	**–**	56
Capital expenditure	**(130)**	(131)
Net interest and tax paid	**(81)**	(36)
Less: cash tax benefit on accelerated contribution (exceptional cash flows)	**–**	(20)
Adjusted free cash flow	**212**	196

Financial strength measures

The Group uses three financial metrics as key performance measures to assess its financial strength. These are the net debt to EBITDA ratio, the interest cover ratio and the return on capital employed ratio.

In the past the net debt to EBITDA ratio and the interest cover ratio were reported in line with the calculation methodology used for financial covenants on the Group's borrowing facilities. Following the refinancing of the US$800 million revolving credit facility in the year the new facility adopted amended covenant definitions. For the purposes of KPI reporting, the Group has simplified the calculation of these KPIs to make them more directly related to information in the Group's financial statements.

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

The net debt to EBITDA ratio is as follows:

	31 March	
	2019	2018*
	£m	£m
Calculation of net debt to EBITDA ratio		
Net debt (Note 10)	**337**	392
Adjusted operating profit	**305**	300
Add back depreciation and adjusted amortisation	**141**	142
Pre-exceptional EBITDA	**446**	442
Net debt to EBITDA ratio (times)	**0.8**	0.9

* Comparatives have been restated in line with the new calculation methodology. The net debt to EBITDA ratio calculated on the financial covenant methodology is 0.7 times (2018 – 0.8 times).

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

3. Reconciliation of alternative performance measures (continued)

Financial strength measures (continued)

The interest cover ratio is as follows:

	31 March	
	2019	2018*
	£m	£m
Calculation of interest cover ratio		
Adjusted operating profit	**305**	300
Net finance expense (Note 6)	**26**	32
Interest cover ratio (times)	**11.6**	9.4

* Comparatives have been restated in line with the new calculation methodology. The interest cover ratio calculated on the financial covenant methodology is 15.3 times (2018 – 14.6 times).

The return on capital employed calculation is as follows:

	31 March		
	2019	2018	2017
	£m	£m	£m
Calculation of return on capital employed			
Adjusted operating profit	**305**	300	
Add back: amortisation of acquired intangible assets	**(11)**	(12)	
Profit before interest, tax and exceptional items from continuing operations for ROCE	**294**	288	
Goodwill and other intangible assets	**342**	360	401
Property, plant and equipment	**982**	965	1 061
Working capital, provisions and non-debt derivatives	**401**	385	394
Invested operating capital of continuing operations	**1 725**	1 710	1 856
Average invested operating capital*	**1 718**	1 783	
Return on capital employed (ROCE) %	**17.1%**	16.2%	

***** 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 derivatives.

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

4. Segment information

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

(a) Segment results

Continuing operations	Food & Beverage Solutions £m	Sucralose £m	Primary Products £m	Central £m	Total £m
					At 31 March 2019
Sales	**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%**
Included within operating profit:					
depreciation	**36**	**9**	**66**	**1**	**112**
amortisation	**28**	**–**	**10**	**2**	**40**
share-based payments	**6**	**1**	**5**	**6**	**18**

* Reconciled to statutory profit for the year in Note 3

Continuing operations	Food & Beverage Solutions £m	Sucralose £m	Primary Products £m	Central £m	Total £m
					At 31 March 2018
Sales	850	146	1 714	–	2 710
Adjusted operating profit*	137	55	166	(58)	300
Adjusted operating margin	16.1%	37.7%	9.7%	n/a	11.1%
Included within operating profit:					
depreciation	38	9	66	1	114
amortisation	30	–	9	1	40
share-based payments	3	1	4	7	15

* Reconciled to statutory profit for the year in Note 3

(b) Geographic disclosures: sales

	Year ended 31 March 2019 £m	2018 £m
Food & Beverage Solutions		
North America	**430**	416
Asia Pacific and Latin America	**201**	184
Europe, Middle East and Africa	**258**	250
Food & Beverage Solutions – total	**889**	850
Sucralose – total	**164**	146
Primary Products		
Americas	**1 588**	1 590
Rest of the world	**114**	124
Primary Products – total	**1 702**	1 714
Total	**2 755**	2 710

5. Exceptional items

Exceptional items recognised in the income statement are as follows:

		Year ended 31 March	
		2019	2018
Income statement – continuing operations	Footnotes	**£m**	£m
Oats ingredients business disposal	(a)	**(43)**	–
Restructuring costs	(b)	**(13)**	–
Gain on sale and leaseback of railcars	(c)	**14**	–
Asset remediation	(d)	**(16)**	–
Tate & Lyle Ventures gain on disposals	(e)	**–**	2
Exceptional items included in profit before tax		**(58)**	2
US tax adjustments	(f)	**–**	36
UK tax adjustments	(g)	**–**	2
Exceptional items included in income tax		**–**	38
Total exceptional items		**(58)**	40

Exceptional items arising from simplifying the business and driving productivity

In the year ended 31 March 2019, a number of exceptional items have been recognised arising from the Group's activities to focus the portfolio and simplify the business:

a) Following a strategic review of its oats ingredients business conducted during the financial year, the Group completed the disposal of this business in March 2019, for cash proceeds of £3 million, with a cash outflow of £1 million expected in the 2020 financial year. The exceptional loss recognised in the year ended 31 March 2019, including an impairment charge of £40 million recognised in the first half of the financial year, totalled £43 million. The total charge was recognised within the Food & Beverage Solutions segment.

b) In May 2018, the Group announced a programme to deliver US$100 million of productivity benefits. The cash cost to implement these savings is estimated at up to US$40 million (£31 million), with any further non-cash costs to be reported as incurred. In the year ended 31 March 2019, the Group recognised a restructuring charge of £13 million, of which £2 million was non-cash, mainly in respect of employee severance and associated programme costs. £6 million was paid during the year. £5 million of the £13 million exceptional charge was recognised within the Food & Beverage Solutions segment and £8 million was classified as Central costs.

c) In the year ended 31 March 2019, the Group exercised an option to buy certain railcars previously held under operating leases. The railcars were subsequently sold and leased back generating an exceptional cash gain of £16 million partially offset by a non-cash charge of £2 million. The net £14 million gain was recognised within the Primary Products segment.

d) In the year ended 31 March 2019, the Group recognised an exceptional provision of £16 million to remediate environmental health and safety risks associated primarily with idle assets at manufacturing sites in North America. A charge of £14 million was recognised within the Primary Products segment and a charge of £2 million was recognised in the Food & Beverage Solutions segment. The remediation programme is expected to last 24 months and result in total cash outflows of £16 million, of which £1 million was paid in the year ended 31 March 2019.

Overall, exceptional items before tax in the year totalled non-cash charges of £49 million and cash charges of £9 million (of which £12 million was received in the year; the remaining cash outflow of £21 million will be recognised over the next 24 months).

Other exceptional items

e) Tate & Lyle Ventures gain on disposals – in the year ended 31 March 2018, the Group recognised a £2 million cash gain, in respect of the disposal of an investment held as part of its venture fund portfolio. The gain was recognised within Central costs.

f) In the year ended 31 March 2018, the Group recognised an exceptional tax credit of £36 million, principally reflecting the revaluation downwards of net US deferred tax liabilities following the reduction in the US federal corporation tax rate from 1 January 2018. US deferred tax liabilities primarily comprised amounts arising from accelerated tax depreciation on assets.

5. Exceptional items (continued)

g) In the year ended 31 March 2018, two significant changes drove an exceptional net credit of £2 million resulting from the increase in UK deferred tax assets:

  i. UK legislation to limit to 50% the utilisation of brought-forward losses was enacted during the 2018 financial year, resulting in a £16 million write down of the previous deferred tax asset recognised in relation to the Group's internal financing arrangements;
  ii. Anticipated changes to the Group's internal financing arrangements, enabled by amendments to US tax legislation, led to the recognition of an increase in the deferred tax asset of £18 million.

In addition, in the year ended 31 March 2018 an exceptional tax credit of £2 million was recognised in discontinued operations.

Net cash flows on exceptional items were as follows:

		Year ended 31 March	
		2019	2018
Net cash inflows/(outflows) on exceptional items	Footnotes	**£m**	£m
Oats ingredients business disposal	(a)	**3**	–
Restructuring costs	(b)	**(6)**	–
Gain on sale and leaseback of railcars	(c)	**16**	–
Asset remediation	(d)	**(1)**	–
Tate & Lyle Ventures gain on disposals	(e)	**–**	2
Business re-alignment	(h)	**–**	(2)
Accelerated US defined benefit schemes contribution	(i)	**–**	(56)
Cash tax benefit on accelerated contribution	(i)	**–**	20
Net cash inflows/(outflows)		**12**	(36)

Net cash flows on exceptional items are included in the consolidated statement of cash flows as follows:

		Year ended 31 March	
		2019	2018
Reconciliation to the statement of cash flows	Footnotes	**£m**	£m
Exceptional charge/(gain) included in profit before tax		**58**	(2)
Less: Restructuring costs	(b)	**(6)**	–
Less: Asset remediation	(d)	**(1)**	–
Less: Business re-alignment	(h)	**–**	(2)
Exceptional items included within cash generated from operating activities		**51**	(4)
Accelerated US defined benefit schemes contribution	(i)	**–**	(56)
Cash tax benefit on accelerated contribution	(i)	**–**	20
Exceptional items included within cash generated from other operating activities		**–**	(36)
Oats ingredients business disposal	(a)	**3**	–
Gain on sale and leaseback of railcars	(c)	**16**	–
Tate & Lyle Ventures gain on disposals	(e)	**–**	2
Exceptional items included within cash flows from investing activities		**19**	2

h) In the year ended 31 March 2018, the Group paid cash of £2 million to utilise remaining provisions in respect of the business re-alignment of Sucralose and its European operations, but recognised no charges in this respect during the year.

i) In the year ended 31 March 2018, the Group made an accelerated cash contribution of £56 million into the US defined benefit pension schemes against which the Group received a cash tax benefit of £20 million leading to an overall cash outflow of £36 million. This cash contribution was incremental to the on-going annual scheme payments.

6. Finance income and finance expense

		Year ended 31 March	
		2019	2018
Continuing operations	Note	**£m**	£m
Interest payable on bank and other borrowings		**(30)**	(27)
Fair value hedges:			
– fair value loss on interest rate derivatives		**(4)**	(6)
– fair value adjustment of hedged borrowings		**4**	6
Finance lease interest		**(1)**	(1)
Net retirement benefit interest	11	**–**	(5)
Unwinding of discount on liabilities		**–**	(1)
Finance expense		**(31)**	(34)
Finance income		**5**	2
Net finance expense		**(26)**	(32)

Interest payable on other borrowings includes £0.2 million (2018 – £0.2 million) of dividends in respect of the Group's 6.5% cumulative preference shares.

7. Income tax expense

Analysis of charge for the year	Year ended 31 March	
	2019	2018
Continuing operations	**£m**	£m
Current tax:		
– United Kingdom	**(7)**	(9)
– Overseas	**(46)**	(45)
– Adjustments in respect of previous financial year	**3**	–
	(50)	(54)
Deferred tax:		
(Expense)/credit for the year	**(9)**	31
Income tax expense	**(59)**	(23)
Statutory effective tax rate %	**24.4%**	8.1%

			Restated*
Reconciliation to adjusted income tax expense	Notes	**£m**	£m
Income tax expense		**(59)**	(23)
Adjusted for:			
Taxation on exceptional items and amortisation of acquired intangibles		**(6)**	(3)
Exceptional US tax credit	5	**–**	(36)
Exceptional UK tax credit	5	**–**	(2)
Adjusted income tax expense	3	**(65)**	(64)
Adjusted effective tax rate %		**21.0%**	21.5%

* Comparatives restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

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 658p (2018 – 676p). The dilutive effect of share-based incentives was 6.9 million shares (2018 – 7.7 million shares).

	Year ended 31 March 2019			Year ended 31 March 2018		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the Company (£ million)	**181**	**–**	**181**	263	2	265
Weighted average number of ordinary shares (million) – basic	**462.6**	**–**	**462.6**	462.3	462.3	462.3
Basic earnings per share	**39.2p**	**–**	**39.2p**	57.0p	0.4p	57.4p
Weighted average number of ordinary shares (million) – diluted	**469.5**	**–**	**469.5**	470.0	470.0	470.0
Diluted earnings per share	**38.6p**	**–**	**38.6p**	56.1p	0.4p	56.5p

Adjusted earnings per share

A reconciliation between profit attributable to owners of the Company from continuing operations and the equivalent adjusted metric, together with the resulting adjusted earnings per share metrics can be found below:

		Year ended 31 March	
Continuing operations	Notes	**2019 £m**	Restated* 2018 £m
Profit attributable to owners of the Company		**181**	263
Adjusting items:			
– exceptional loss/(gain)	5	**58**	(2)
– amortisation of acquired intangible assets		**11**	12
– tax effect of the above adjustments	7	**(6)**	(3)
– exceptional deferred tax credits	5, 7	**–**	(38)
Adjusted profit attributable to owners of the Company	3	**244**	232
Adjusted basic earnings per share (pence)		**52.8p**	50.3p
Adjusted diluted earnings per share (pence)		**52.0p**	49.4p

* Comparatives restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

9. Dividends on ordinary shares

Dividends on ordinary shares in respect of the financial year:

	Year ended 31 March	
	2019	2018
	Pence	Pence
Per ordinary share:		
Interim dividend paid	**8.6**	8.4
Final dividend proposed	**20.8**	20.3
Total dividend	**29.4**	28.7

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 2019 to shareholders who are on the Register of Members on 21 June 2019.

Dividends on ordinary shares paid in the financial year:

	Year ended 31 March	
	2019	2018
	£m	£m
Final dividend paid relating to the prior financial year	**94**	92
Interim dividend paid relating to the financial year	**40**	39
Total dividend paid	**134**	131

Based on the number of ordinary shares outstanding at 31 March 2019 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	
	2019	2018
	£m	£m
Non-current borrowings	**(373)**	(554)
Current borrowings	**(224)**	(16)
Debt-related derivative financial instruments	**(25)**	(12)
Cash and cash equivalents	**285**	190
Net debt	**(337)**	(392)

Debt-related derivative financial instruments represent the net fair value of currency and interest rate swaps that are used to manage the currency and interest rate profile of the Group's net debt. At 31 March 2019, the net fair value of these derivatives comprised assets of £6 million (2018 – £10 million) and liabilities of £31 million (2018 – £22 million).

10. Net debt (continued)

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

	Year ended 31 March	
	2019	2018
	£m	£m
Net debt at beginning of the year	**(392)**	(452)
Net increase/(decrease) in cash and cash equivalents	**79**	(48)
Net (increase)/decrease in borrowings[1]	**(2)**	74
Currency translation differences[2]	**(21)**	35
Fair value and other movements	**(1)**	(1)
Decrease in net debt in the year	**55**	60
Net debt at end of the year	**(337)**	(392)

1 Net change in borrowings includes repayments of capital elements of finance leases of £2 million (2018 – £1 million)
2 Includes the foreign currency element of the fair value movement on cross currency swaps and the translation of foreign denominated borrowings.

11. Retirement benefit obligations

At 31 March 2019, the net surplus in respect of retirement benefits was £24 million (31 March 2018 – surplus of £18 million). The improvement has been driven by cash contributions totaling £29 million, partially offset by foreign exchange movements and service and administration costs. The net surplus is analysed as follows:

	At 31 March 2019			At 31 March 2018		
	UK plans* £m	**US plans £m**	**Total £m**	UK plans £m	US Plans £m	Total £m
Benefit obligations:						
Funded plans	**(994)**	**(516)**	**(1 510)**	(1 008)	(483)	(1 491)
Unfunded plans	**(3)**	**(134)**	**(137)**	(2)	(119)	(121)
	(997)	**(650)**	**(1 647)**	(1 010)	(602)	(1 612)
Fair value of plan assets	**1 178**	**493**	**1 671**	1 167	463	1 630
Net surplus/(deficit)	**181**	**(157)**	**24**	157	(139)	18
Presented in the statement of financial position as:						
Retirement benefit surplus	**201**	**6**	**207**	174	4	178
Retirement benefit deficit	**(20)**	**(163)**	**(183)**	(17)	(143)	(160)
Net surplus/(deficit)	**181**	**(157)**	**24**	157	(139)	18

* Includes £3 million (2018 – £2 million) relating to legacy unfunded retirement benefit plans of European subsidiaries

11. Retirement benefit obligations (continued)

Changes in the net surplus/(deficit) during the year are analysed as follows:

	Year ended 31 March 2019		
	UK plans £m	**US plans £m**	**Total £m**
Net surplus/(deficit) at 1 April 2018	**157**	**(139)**	**18**
Income statement:			
– current service costs	**(1)**	**(1)**	**(2)**
– administration costs	**(1)**	**(1)**	**(2)**
– net interest expense	**5**	**(5)**	**–**
Other comprehensive income:			
– actual return higher than interest on plan assets	**25**	**4**	**29**
– actuarial loss	**(25)**	**(9)**	**(34)**
Other movements:			
– employer's contributions	**22**	**7**	**29**
– non-qualified deferred compensation arrangements	**–**	**(1)**	**(1)**
– currency translation differences	**(1)**	**(12)**	**(13)**
Net surplus/(deficit) at 31 March 2019	**181**	**(157)**	**24**

Under funding arrangements in connection with the 2016 actuarial valuation, the Group committed to make core funding contributions for the main UK scheme of £12 million per year and supplementary contributions of £6 million per year until 31 March 2023 into a secured funding account, payable to the Trustee on certain triggering events or as mutually agreed between the Company and Trustee.

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 is estimable. 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 2019 will have a material adverse effect on the Group's financial position.

13. Capital expenditure and commitments

In the year ended 31 March 2019, there were additions to intangible assets (excluding goodwill and acquired intangibles) of £31 million (2018 – £20 million) and additions to property, plant and equipment of £114 million (2018 – £113 million).

Total commitments for the purchase of tangible and intangible non-current assets are £35 million (2018 – £26 million). In addition, commitments in respect of retirement benefit obligations are detailed in Note 11.

14. Acquisitions and disposals

In the 2019 financial year:

Completion of Sweet Green Fields investment

On 7 December 2018, the Group completed the acquisition of a 15% equity holding in Sweet Green Fields for US$15 million (£12 million). Under the terms of the agreement, the Group has an option to acquire the remaining 85% share in due course. After considering all the terms of the arrangement with Sweet Green Fields it has been determined that the Group does not have significant influence. Accordingly the investment has been recognised as an investment in equities (financial asset at fair value through the profit or loss).

Completion of acquisition of non-controlling interest of Gemacom

On 30 November 2018, the Group completed the acquisition of the remaining non-controlling interest in Gemacom for £9 million in satisfaction of the put and call option arrangement and deferred consideration due. There was no income statement gain or loss as a result of this transaction.

14. Acquisitions and disposals (continued)

In the 2018 financial year

Completion of Tapioca Development Corporation disposal in the 2018 financial year

On 2 November 2017, the Group completed the sale of its 33.3% share in an associated undertaking, the Tapioca Development Corporation. This sale resulted in cash proceeds of £5 million and in a profit on disposal of £2 million, after recycling of cumulative foreign exchange translation gains of £1 million from reserves to the income statement upon disposal.

15. Change in accounting policies

As explained in Note 2, the Group has adopted IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers. The adoption of these accounting standards has not had a material effect on the financial statements, although it has resulted in changes to the classification of items recognised in the financial statements.

IFRS 9 and 15 have been adopted with the initial application date of 1 April 2018 and without restating comparatives.

The following table shows that the impact of the adoption of these new accounting standards on the relevant financial statement line items has been limited to a reclassification within non-current assets.

	31 March 2018 as originally presented £m	IFRS 9 £m	IFRS 15 £m	1 April 2018 £m
Non-current assets				
Available-for-sale financial assets	**37**	**(37)**	**–**	**–**
Financial assets at FVOCI	**–**	**16**	**–**	**16**
Financial assets at FVPL	**–**	**21**	**–**	**21**
Current assets				
Trade and other receivables	**294**	**–**	**–**	**294**
Equity				
Other reserves	**159**	**–**	**–**	**159**
Retained earnings	**677**	**–**	**–**	**677**

IFRS 9 Financial Instruments

a) Measurement of financial instruments

The Group has trade receivables which are financial assets subject to IFRS 9's new expected credit loss (ECL) model. The Group was required to revise its impairment methodology under IFRS 9. For trade receivables the Group applies the simplified approach to providing for expected credit losses, prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade and other receivables. The Group has a low level of default on its receivables and as such the impact of adopting the simplified ECL model is not material.

15. Change in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

The loss allowance as at 1 April 2018 was determined as follows:

	Current	30-60 days past due	60-90 days past due	Greater than 90 days past due	Total
Expected loss rate	**0%**	**0%**	**5%**	**91%**	
Gross carrying amount (£ million)	**248**	**14**	**3**	**15**	**280**
Loss allowance provision (£ million)	**–**	**–**	**–**	**14**	**14**

b) Classification of financial instruments

Assets with a fair value of £37 million were reclassified from available-for-sale financial assets to financial assets at fair value through OCI (FVOCI) and fair value through the profit or loss (FVPL). They do not meet the IFRS 9 criteria for classification at amortised cost because their cash flows do not represent solely payments of principal and interest. The available election to recognise equity securities as FVOCI has been taken because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. All other measurement categories used under IAS 39 have remained the same under IFRS 9.

c) Hedge accounting

IFRS 9 amends some of the requirements for the application of hedge accounting. The foreign currency and certain commodity forwards in place as at 31 March 2018 qualified as cash flow hedges under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships therefore continue to be treated as hedges.

Gains or losses relating to the effective portion of hedging instruments are recognised in OCI within the Hedging Reserve. Amounts accumulated in the Hedging Reserve are reclassified in the periods when the hedged item affects the income statement as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the hedging gains and losses are included within the cost of inventory. The deferred amounts are ultimately recognised in the income statement as the hedged item affects the income statement (for example, through cost of sales).
- Where the hedged item does not subsequently result in the recognition of a non-financial asset, the hedging gains and losses are recognised directly in the income statement as the hedged item affects the income statement.

IFRS 15 Revenue from contracts with customers

The Group has completed its review of commercial arrangements across all significant revenue streams and geographies including assessing the timing of revenue recognition as well as focusing on the accounting for principal and agency relationships, consignment stocks and discounts provided. As a result of the review, the Group has concluded that the adoption of IFRS 15 has not had a material impact on reported revenue or revenue growth rates. There are however a number of additional disclosures (refer to Note 4).

IFRS 2 Amendment: Classification and measurement of share-based payment transactions

During the year, the Company adopted the amendment to IFRS 2 permitting net settled share-based payments to be treated as equity-settled in full, if certain criteria were met, rather than the tax element being cash-settled. The amount transferred to the tax authorities in the year was £8 million and has been recognised within financing activities in the consolidated statement of cash flows. There is no material impact of adopting this amendment on the financial statements in the current or previous financial year.

16. Events after the balance sheet date

There are no post balance sheet events requiring disclosure in respect of the year ended 31 March 2019.

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 2019 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	**2019 £m**	FX £m	2019 at constant currency £m	Underlying growth £m	2018* £m	Change %	Change in constant currency %
Sales	**2 755**	(2)	2 753	43	2 710	2%	2%
Food & Beverage Solutions	**143**	(3)	140	3	137	5%	3%
Sucralose	**61**	1	62	7	55	10%	11%
Primary Products	**148**	–	148	(18)	166	(11%)	(11%)
Central	**(47)**	–	(47)	11	(58)	18%	18%
Adjusted operating profit	**305**	(2)	303	3	300	2%	1%
Net finance expense	**(26)**	–	(26)	6	(32)	17%	17%
Share of profit after tax of joint ventures and associates	**30**	–	30	2	28	7%	9%
Adjusted profit before tax	**309**	(2)	307	11	296	4%	4%
Adjusted income tax expense	**(65)**	–	(65)	(1)	(64)	(2%)	(2%)
Adjusted profit after tax	**244**	(2)	242	10	232	5%	4%
Adjusted diluted EPS (pence)	**52.0p**	(0.5p)	51.5p	2.1p	49.4p	5%	4%

* Restated as the Group now includes net retirement benefit interest and the associated tax in its alternative performance measures. Refer to Note 2.

TATE & LYLE PLC

ADDITIONAL INFORMATION

RATIO ANALYSIS

		31 March 2019	31 March 2018
Net debt to EBITDA*			
=	Net debt	**337**	392
	Pre-exceptional EBITDA	**446**	442
		= 0.8 times	= 0.9 times
Interest cover*			
=	Adjusted operating profit	**305**	300
	Net finance expense	**26**	32
		= 11.6 times	= 9.4 times
Earnings dividend cover			
=	Adjusted basic earnings per share from continuing operations	**52.8**	50.3
	Dividend per share	**28.9**	28.2
		= 1.8 times	= 1.8 times
Cash dividend cover			
=	Adjusted free cash flow from continuing operations	**212**	196
	Cash dividends	**134**	131
		= 1.6 times	= 1.5 times
Return on capital employed			
=	Profit before interest, tax and exceptional items from continuing operations	**294**	288
	Average invested operating capital of continuing operations	**1 718**	1 783
		= 17.1%	= 16.2%
Gearing			
=	Net debt	**337**	392
	Total equity	**1 489**	1 367
		= 23%	= 29%

All ratios are calculated based on unrounded figures in £ million. Net debt to EBITDA, Interest cover, 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.

* Following the refinancing of the US$800 million revolving credit facility in the year, amended covenant definitions were adopted. In light of this, the Group has simplified the calculation of these key performance indicators to make them more directly related to information in the Group's financial statements. Comparatives have been restated in line with the new calculation methodology. Refer to Note 3.