8 November 2018

TATE & LYLE

TATE & LYLE PLC STATEMENT OF HALF YEAR RESULTS

For the six months to 30 September 2018

Six months to 30 September[1] Continuing operations £m unless stated otherwise	Adjusted results 2018	2017 (restated[2])	Constant currency change	Statutory results 2018	2017	Change
Sales	**1 383**	1 398	2%	**1 383**	1 398	(1%)
Profit before tax (PBT)	**166**	166	2%	**113**	161	(30%)
Diluted earnings per share	**27.9p**	27.3p	5%	**17.4p**	26.5p	(34%)
Net debt (comparative 31 March 2018)				**337**	392	
Dividend per share				**8.6p**	8.4p	

Key highlights

- Overall performance in line with expectations
  - Food & Beverage Solutions accelerating volume growth, including +3% in North America
  - Primary Products profits lower due to Commodities
  - Inflationary headwinds proactively managed
- Full year guidance unchanged
- Strengthened leadership team in place
- Early progress on 'Sharpen, Accelerate, Simplify' programmes to accelerate business performance
- Actions underway to deliver US$100m productivity benefits over four years; cost estimated at up to US$40m

Financial highlights

- 2% increase[3] in adjusted profit before tax
- 3% increase in Food & Beverage Solutions profit[4] to £77m
  - Volume up 3% in North America and 16% in Asia Pacific and Latin America
  - 6% increase[3] in sales of New Products
- 1% increase in Sucralose profit[4] to £27m
- Primary Products profit[4] 6% lower at £85m
  - Sweeteners and Starches profit in line with the comparative period
  - Commodities profit £5m lower following exceptionally strong comparative period
- 5% increase in earnings per share[5] benefitting from lower finance costs and lower adjusted effective tax rate
- Group statutory profit before tax 30% lower due to net exceptional costs of £47m (predominantly non-cash)
- Adjusted free cash flow £1m higher at £152m, driving net debt £55m lower
- Interim dividend increased by 0.2p to 8.6p per share; up 2.4%

Nick Hampton, Chief Executive, said:

"We performed in line with our expectations in the first half delivering growth in adjusted profit before tax and strong cash flow despite cost inflation from materials and transport in North America, and lower profits in Commodities. Food & Beverage Solutions performed well with strong volume growth in North America, Asia Pacific and Latin America. In Primary Products, Sweeteners and Starches delivered solid underlying performance.

The three programmes we announced in May 2018 to sharpen the focus on our customers, accelerate portfolio development and simplify the business are progressing well. With our clear direction, strong financial position and a strengthened leadership team driving greater pace and agility across the organisation, we remain well-placed to realise the growth potential of our business.

The outlook for the year ending 31 March 2019 remains unchanged."

1 The adjusted results for the six months to 30 September 2018 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. A reconciliation of statutory and adjusted information is included in Note 2 to the Financial Information. Growth percentages are calculated on unrounded numbers.
2 The adjusted results for the six months to 30 September 2017 have been restated to reflect changes in reportable segments and to include net retirement benefit interest expense (2017 - £3 million) and associated tax which is no longer excluded from adjusted performance metrics
3 Percentage change in constant currency
4 Adjusted operating profit, percentage change in constant currency
5 Adjusted diluted earnings per share from continuing operations at constant currency

FINANCIAL HIGHLIGHTS

Six months to 30 September Continuing operations	2018 £m	2017 (restated) £m	Change	Constant currency change
Sales:				
– Food & Beverage Solutions	**443**	433	2%	5%
– Sucralose	**77**	76	1%	5%
– Primary Products	**863**	889	(3%)	0%
Sales	**1 383**	1 398	(1%)	2%
Adjusted operating profit				
– Food & Beverage Solutions	**77**	75	2%	3%
– Sucralose	**27**	29	(4%)	1%
– Primary Products	**85**	93	(8%)	(6%)
– Central	**(23)**	(27)		
Adjusted operating profit	**166**	170	(2%)	0%
Net finance expense	**(13)**	(17)		
Share of profit after tax of joint ventures and associates	**13**	13	1%	6%
Adjusted profit before tax	**166**	166	0%	2%
Adjusted effective tax rate	**21.5%**	23.1%		
Adjusted diluted earnings per share	**27.9p**	27.3p	2%	5%
Adjusted free cash flow	**152**	151		
Net debt – comparative at 31 March	**337**	392		

The adjusted results for the six months to 30 September 2018 have been adjusted to exclude exceptional items, amortisation of acquired intangible assets, the tax on those adjustments and tax items that themselves meet these definitions. A reconciliation of statutory and adjusted information is included in Note 2 to the Financial Information. The adjusted results for the six months to 30 September 2017 have been restated to reflect changes in reportable segments and to include net retirement benefit interest and associated tax. Growth percentages are calculated on unrounded numbers.

- Food & Beverage Solutions adjusted operating profit of £77m:
  - 3% volume growth in North America reflecting positive momentum.
  - 3% higher profit after absorbing growth investments in emerging markets in the second half of fiscal 2018 and cost inflation.
  - 6% increase in sales from New Products to £47m.
- Primary Products adjusted operating profit of £85m:
  - Sweeteners and Starches profit in line with the comparative period with proactive mix management and cost discipline helped to offset inflationary headwinds. The period benefitted from a £4m insurance recovery.
  - Commodities profit £5m lower following exceptionally strong profits in the comparative period.
- £12m of cost inflation from materials and transport in North America.
- Central costs at £23m, £4m lower benefitting from cost discipline.
- Net finance costs £4m lower at £13m, following prior year decision to make significant funding contribution into the main US pension scheme.
- Net exceptional costs of £47m, with net cash exceptional inflow of £12m in the half. Exceptional items relate to actions to focus the portfolio and simplify the business comprising:
  - £40m non-cash impairment charge for the oats ingredients business as part of an ongoing strategic review.
  - £2m restructuring charge as part of the simplification programme (£1m cash outflow in the period).
  - £11m net gain from the sale and lease back of rail cars (£13m cash inflow in the period).
  - £16m provision for asset remediation following the Group-wide safety review.
- Share of profit after tax of joint ventures and associates of £13m, up 6% with strong performance in Bio-PDO.
- Adjusted effective tax rate for continuing operations at 21.5% (2017 – 23.1%), reflecting the lower headline rate of federal income tax in the US.
- Statutory profit before tax, after exceptional items, of £113m was £48m lower due to exceptional costs. Statutory diluted earnings per share from continuing operations decreased by 34% to 17.4p; with lower profit and impact of a higher statutory effective rate of tax at 28.2% (2017 – 22.8%).
- Adjusted free cash flow increased by £1m to £152m. Capital expenditure at £62m was £1m higher in the period. We continue to expect capital expenditure for fiscal 2019 to be between £130m and £150m.
- Net debt at £337m, £55m lower than at 31 March 2018, £23m adverse impact from foreign exchange translation Net debt:EBITDA (on a financial covenant basis) reduced to 0.7x (year to 31 March 2018 – 0.8x).

ACCELERATING BUSINESS PERFORMANCE

On 24 May 2018, Nick Hampton, Chief Executive, set out three priorities to accelerate business performance: **Sharpen** the focus on our customers, **Accelerate** the development of our portfolio, and **Simplify** the business. At a recent Capital Markets event on 12 and 13 September 2018, we provided details of these priorities and the actions to deliver them.

Sharpen the Focus on our Customers

Our intention is to move from a valued ingredient supplier to a growth partner for our customers. Actions being taken include:

- Both divisions:
  - Broadening of customer interactions at all levels including executive, R&D and commercial.
- Food & Beverage Solutions:
  - Reorganised commercial teams by category.
  - Implemented global and local dashboards to track all active customer opportunities.
- Primary Products:
  - Driving incremental margin by optimising customer and product mix and increasing operational efficiency.
  - Diversifying grind to growing or new end-markets and away from structurally declining markets.

Accelerate Portfolio Development

This programme is focused on accelerating the development and commercialisation of new products, building more external partnerships and alliances to catalyse innovation, and selective acquisitions and joint ventures in line with strategy. Actions being taken include:

- Joint product development with key larger customers and fast-moving smaller customers.
- Improving the balance and quality of the innovation portfolio by developing more line extensions, with faster payback, and developing new products specifically for our regional businesses.
- In May 2018, we agreed to acquire a 15% shareholding in Sweet Green Fields, a leading stevia player.
- Through external partnership with Codexis, we have built a proprietary route to producing Reb M, a consumer preferred stevia sweetener, and accelerated the launch of our new Reb M product, TASTEVA® M, by 12 months to meet growing customer and consumer demand.

Simplify the Business

This programme is focused on faster decision-making and driving sustainable productivity. As part of this, we are targeting US$100m of productivity benefits over a four-year period, with cash costs to implement estimated at up to US$40m. Actions being taken to simplify the business include:

- Simplifying the organisation (e.g. consolidating teams in areas such as Transportation and Marketing).
- Implementing zero-based budgeting across the business.
- Employing new tools and systems (e.g. new automated North American Transport System).
- Making capital investments to reduce costs and drive efficiencies (e.g. new gas boilers and dryers).
- Driving continuous improvement projects to eliminate waste and improve efficiencies.
- Enhancing plant maintenance and reliability programmes.

Underpinning these three priorities is a strengthened leadership team driving greater pace and a dynamic culture of partnership, agility and execution across the business, and a highly skilled workforce motivated by a strong sense of purpose to improve people’s lives by enabling healthier food choices.

Cautionary statement

This Statement of Half 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 Half Year Results for the six months to 30 September 2018 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 (GMT) on Thursday 8 November 2018. To view and/or listen to a live audio-cast of the presentation, visit http://view-w.tv/797-1031-20583/en. Please note that remote listeners will not be able to ask questions during the Q&A session.

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

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

Dial in details:
UK dial in number: +44 (0)20 3003 2666
US dial in number: +1 212 999 6659
Password: Tate & Lyle

14 day conference call replay:
UK replay number: +44 (0)20 8196 1998
US replay number: +1 866 597 7616
Access pin: 1296540 #

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SEGMENTAL OPERATING PERFORMANCE

Food & Beverage Solutions

Six months to 30 September Continuing operations	2018 Volume change
Volume	
North America	**3%**
Asia Pacific and Latin America	**16%**
Europe, Middle East and Africa	**0%**
Total	**4%**

	2018 £m	2017 £m	Change %	Constant currency change %
Sales				
North America	**211**	211	0%	3%
Asia Pacific and Latin America	**105**	98	7%	12%
Europe, Middle East and Africa	**127**	124	3%	3%
Total	**443**	433	2%	5%
Adjusted operating profit	**77**	75	2%	3%

Encouraging top line performance, with momentum in North America

Volume was 4% higher while sales at £443 million increased by 5% in constant currency. Adjusted operating profit was 3% higher in constant currency with volume growth partially offset by the absorption of growth investments in emerging markets in the second half of fiscal 2018, and higher input costs. The effect of currency translation was to decrease sales by £11 million, but had no material impact on adjusted operating profit.

North America

Top line momentum was encouraging with volume up 3%. Growth was delivered despite market conditions remaining challenging with the overall US food and beverage market 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, bakery and health and nutrition, where our technical depth and expertise 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 and helping them grow in faster growing sub-categories.

Higher volume was driven by progress across a range of categories including beverages, dairy, nutrition, bakery and soups, sauces and dressings. Sales at £211 million, were 3% or £6 million higher in constant currency.

Asia Pacific and Latin America

Volume was 16% higher, with double digit growth in both regions. Sales increased by 12% in constant currency to £105 million. The effect of currency translation contributed to a more modest 7% reported increase in sales.

In Asia Pacific, we made progress in all sub-regions, with strong growth in dairy in China and in beverages and soups, sauces and dressings in South East Asia.

In Latin America, we saw strong growth in Mexico in beverages and bakery, and in Southern Latin America in beverages and soups, sauces and dressings. Volume in Brazil was lower following industrial action in the transportation industry.

Europe, Middle East and Africa

Volume was flat, while sales at £127 million increased by 3% in constant currency as we exited some lower margin business to improve mix.

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

New Products

Sales of New Products increased by 6% in constant currency to £47 million.

Growth was led by a significant increase in demand for our stevia sweetener portfolio, mainly in the beverages category, and strong growth in our Non-GMO texturants and CLARIA® line of functional clean label starches across dairy, soups, sauces and dressings, and bakery. We are also seeing the increasing use of our PROMITOR® Soluble Fibre in beverages and confectionery to deliver sugar reduction, and for fibre enrichment in bakery.

Sucralose

Six months to 30 September Continuing operations	**2018** **£m**	2017 £m	**Change** **%**	**Constant currency change** **%**
Volume			7%	
Sales	**77**	76	1%	5%
Adjusted operating profit	**27**	29	(4%)	1%

Delivered solid results

Sucralose volume increased 7% benefitting from a programme to optimise production at our facility in McIntosh, Alabama. Sales were 5% higher in constant currency at £77 million following weaker pricing driven by surplus industry capacity. Higher North American input costs led to adjusted operating profit 1% higher in constant currency, at £27 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 £3 million, and adjusted operating profit by £2 million.

Primary Products

Six months to 30 September Continuing operations	2018 Volume change
Volume	
North American Sweeteners	**0%**
North American Industrial Starches	**(3%)**
Total Primary Products	**0%**

	2018 £m	2017 £m	Change %	Constant currency change %
Sales				
Total Primary Products	**863**	889	(3%)	0%
Adjusted operating profit				
Sweeteners and Starches	**80**	83	(3%)	0%
Commodities	**5**	10	(49%)	(49%)
Total Primary Products	**85**	93	(8%)	(6%)

Solid fundamentals, cost inflation impacts performance

Volume was in line with the prior period. Adjusted operating profit of £85 million decreased by £5 million in constant currency. Adjusted operating profit in Sweeteners and Starches was in line with the comparative period in constant currency benefitting from steady demand and margins, mix management, cost discipline and proactive management of inflationary headwinds. The period benefitted from a £4 million insurance recovery. Commodities profit halved to £5 million following exceptionally strong profits in the comparative period. The effect of currency translation was to decrease sales by £28 million and adjusted operating profit by £3 million.

The fundamentals of the US corn wet milling industry remain well balanced, with firm overall demand. In sweeteners, modestly declining US domestic demand for high fructose corn syrup was offset by higher sweetener demand in other areas and growing exports to Mexico. US domestic demand for industrial starches remained stable.

For the fourth time in the last five years, the US is expected to deliver a strong corn harvest. Corn inventories however, are expected to be stable, as demand for corn remains robust. Overall, in recent years relatively stable and lower corn prices have continued to benefit the competitive position of corn-derived products.

Sweeteners

Volume was flat as we managed mix by balancing customer, product and category demand. Margins secured during the 2018 calendar pricing round were broadly in line with the comparative period.

Industrial Starches

Volume was 3% lower as we proactively managed mix by reallocating grind to optimise returns from our corn wet milling assets. In the overall industrial starch market, growing demand for tissue and packaging, fuelled by increasing online shopping, offset declines in printing and writing paper.

Commodities

Commodities delivered a profit of £5 million, £5 million lower, following an exceptionally strong performance in the first half of fiscal 2018. Weaker prices for soy, a competitive animal nutrition source, reduced opportunities for the Group’s co-products in the period. US ethanol cash margins have remained towards the low-end of the historical range with industry inventories high by past comparisons.

Other Matters

North American Free Trade Agreement (NAFTA)

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 NAFTA called The United States-Mexico-Canada Agreement (USMCA). This represents an important step forward, particularly as Mexico is a key export market for the corn wet milling industry, notably for high fructose corn syrup. All three countries must now ratify USMCA through their constitutional channels.

Outlook

The outlook for the year ending 31 March 2019 remains unchanged.

On 24 May 2018, the Group gave the following statement in setting outlook for the year ending 31 March 2019: "We expect growth in earnings per share[1] in constant currency to be in a mid-single digit range, albeit towards the lower end due to energy and transport cost inflation in North America and a strong year of Commodities performance in fiscal 2018."

1 Adjusted diluted earnings per share from continuing operations

Summary of financial results for the period to 30 September 2018 (unaudited)

Six months to 30 September [1] **Continuing operations**	**2018** **£m**	2017* £m	Change %	Constant currency change %
Sales	**1 383**	1 398	(1%)	2%
Adjusted operating profit				
- Food & Beverage Solutions	**77**	75	2%	3%
- Sucralose	**27**	29	(4%)	1%
- Primary Products	**85**	93	(8%)	(6%)
- Central	**(23)**	(27)		
Adjusted operating profit	**166**	170	(2%)	0%
Net finance expense	**(13)**	(17)		
Share of profit after tax of joint ventures and associates	**13**	13		
Adjusted profit before tax	**166**	166	0%	2%
Exceptional items	**(47)**	–		
Amortisation of acquired intangible assets	**(6)**	(5)		
Profit before tax	**113**	161		
Income tax expense	**(32)**	(37)		
Profit for the period – continuing operations	**81**	124		
Profit for the period – discontinued operations	**–**	–		
Profit for the period – total operations	**81**	124		
Earnings per share – continuing operations (pence)				
Basic	**17.6p**	26.8p	(35%)	
Diluted	**17.4p**	26.5p	(34%)	
Adjusted earnings per share – continuing operations (pence)				
Basic	**28.2p**	27.7p	2%	5%
Diluted	**27.9p**	27.3p	2%	5%
Cash flow and net debt				
Adjusted free cash flow	**152**	151		
Net debt – At 30 September (comparative at 31 March 2018)	**337**	392		

* Comparatives restated to reflect changes in reportable segments and to include net retirement benefit interest expense and the associated tax. Refer to Note 1.

Sales from continuing operations of £1,383 million were 1% lower than the prior period (2% higher at constant currency).

On a statutory basis, profit before tax from continuing operations decreased by £48 million to £113 million. While the underlying operating performance was in line with the prior period, the decrease was driven predominantly by a net exceptional charge of £47 million (2017 – £nil). Statutory diluted earnings per share from continuing operations decreased by 9.1p to 17.4p due to lower profits and an increased statutory effective tax rate of 28.2% (2017 – 22.8%).

Adjusted profit before tax from continuing operations at £166 million was in line with the prior period (2% higher at constant currency). Adjusted diluted earnings per share from continuing operations increased by 0.6p to 27.9p (or 5% in constant currency) benefitting from a lower adjusted effective tax rate of 21.5% (2017 – 23.1%).

Central costs

Central costs, which include head office costs, treasury and reinsurance activities, were £4 million lower at £23 million, benefitting from cost discipline.

Net finance expense

Net finance expense from continuing operations was £4 million lower compared to the prior period at £13 million, mainly driven by lower net retirement benefit interest due to the reduction of scheme deficits following a £56 million funding payment in the prior year to bring the main US scheme close to full funding.

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

Share of profit after tax of joint ventures and associates

The Group's share of profit after tax of joint ventures and associates of £13 million was 6% higher compared to the prior period in constant currency reflecting stronger operating performance at DuPont Tate & Lyle Bio Products (Bio-PDO) which also benefitted from lower US tax rates.

Exceptional items from continuing operations

The Group has recognised a net exceptional charge of £47 million, and a net exceptional cash inflow of £12 million in the six month period to 30 September 2018. Exceptional items relate to actions to focus the portfolio and simplify the business comprising:

- £40m non-cash impairment charge for the oats ingredients business as part of an ongoing strategic review.
- £2m restructuring charge as part of the simplification programme (£1m cash outflow in the period).
- £11m net gain from the sale and lease back of rail cars (£13m cash inflow in the period).
- £16m provision for asset remediation following the Group-wide safety review.

During the six months to 30 September 2017, there were no operating exceptional items from continuing operations.

Taxation

The adjusted effective tax rate on earnings for continuing operations for the six months to 30 September 2018 decreased to 21.5% (2017 – 23.1%) reflecting the lower headline rate of federal income tax in the US, the principal jurisdiction in which Group profits are taxed. On 22 December 2017, the United States enacted the Tax Cuts and Jobs Act. This legislation reduced the headline rate of federal income tax in the United States to 21% from 1 January 2018.

The reported effective tax rate (on statutory earnings) for the period was 28.2% (2017 – 22.8%), the increase reflecting net exceptional costs recognised in the six months to 30 September 2018, the majority of which are not tax deductible.

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 continue to estimate that the adjusted effective tax rate for the 2019 fiscal year will be in the range of 20% to 22%.

Earnings per share

Adjusted basic earnings per share from continuing operations increased by 2% (5% in constant currency) to 28.2p and adjusted diluted earnings per share from continuing operations at 27.9p were also 2% higher (5% in constant currency).

Dividend

An increase in the interim dividend for the six months to 30 September 2018 of 0.2p to 8.6p has been approved by the Board. This will be paid on 4 January 2019 to all shareholders on the Register of Members on 23 November 2018. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan alternative.

Cash flow and net debt

	Six months to 30 September[1] 2018 £m	2017 £m
Adjusted operating profit from continuing operations	**166**	170
Adjusted for:		
Non-cash items in adjusted operating profit and working capital	**93**	95
Net interest and tax paid	**(31)**	(33)
Net retirement benefit obligations	**(14)**	(20)
Capital expenditure	**(62)**	(61)
Adjusted free cash flow	**152**	151

	At 30 September 2018 £m	At 31 March 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 Note 2.

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 £152 million, £1 million higher than the prior period.

Capital expenditure of £62 million, which included a £16 million investment in intangible assets, was 0.9 times the depreciation and adjusted amortisation charge of £69 million and reflects continued investment in capacity as well as efficiency and sustaining investments. We continue to expect capital expenditure for the 2019 fiscal year to be around £130 million to £150 million.

Other significant cash flows in arriving at net debt included: £21 million of dividends received from joint ventures; external dividend payment of £94 million; a £7 million payment related to satisfying share option commitments; net cash inflows relating to exceptional items of £12 million and purchases of equity investments totalling £6 million.

Overall net debt at 30 September 2018 of £337 million was £55 million lower than at 31 March 2018. Net debt decreased by £78 million in the period (2017 – decrease of £60 million) before the adverse impact of exchange rates. Foreign currency translation, mainly due to the stronger US dollar, increased net debt by £23 million.

Retirement benefits

The Group maintains pension plans for our employees in a number of countries. Some of these arrangements are defined benefit pension schemes and, although we have closed the main UK scheme and the US salaried and hourly paid schemes to future accrual, certain obligations remain. In the US, we also provide 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. This net surplus, at £18 million, has remained unchanged compared to 31 March 2018.

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. Payments of £14 million in the six months to 30 September 2018 included principally core funding contributions of £6 million and the supplementary contribution of £6 million.

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 period, although they have had no material effect on the Group's financial statements. Refer to Note 11 for further details.

Details of the basis of preparation, including information in respect of the Group's adjusted performance metrics, can be found in Note 1 to the attached financial information. Growth percentages are calculated on unrounded numbers.

Going Concern

After making enquiries, 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 information and that there are no material uncertainties around their assessment. For these reasons, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial information of the Group.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group for the remaining six months of the financial year remain those detailed on pages 38 to 41 of the Tate & Lyle Annual Report 2018, a copy of which is available on the Company's website at www.tateandlyle.com.

The principal risks set out in the 2018 Annual Report relate to: acting safely and maintaining the safe operation of our facilities; growing in Food & Beverage Solutions; innovating and commercialising new products; inability to attract, develop, engage and retain key personnel; failure to comply with legal or regulatory requirements and our Code of Ethics; maintaining the security of our information systems and data; maintaining the continuous operation of our plant network and supply chain, including high standards of customer service; managing fluctuations in prices and availability of raw materials, energy, freight and other operating inputs; maintaining the quality and safety of our products; changes in consumer, customer or government attitudes to our products; changes in government regulations and/or trade policies; and maintaining an effective system of internal financial controls.

Impact of changes in exchange rates

The Group's reported financial performance at average rates of exchange for the six months to 30 September 2018 was adversely 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**	
Six months to 30 September	**2018**	2017	**2018**	2017
US dollar : sterling	**1.33**	1.29	**1.30**	1.34
Euro : sterling	**1.13**	1.14	**1.12**	1.13

For the period to 30 September 2018, net foreign exchange translation had no net impact on Food & Beverage Solutions adjusted operating profit, decreased Sucralose adjusted operating profit by £2 million and decreased Primary Products adjusted operating profit by £3 million, with adjusted profit before tax for the Group decreasing in total by £5 million.

Statement of Directors' responsibilities

The Directors confirm: that this condensed consolidated set of financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union; that the condensed consolidated set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss as required by the Disclosure Guidance and Transparency Rules (DTRs) sourcebook of the United Kingdom's Financial Conduct Authority, paragraph DTR 4.2.4; and that the interim management report herein includes a fair review of the information required by paragraphs DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated financial information;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors are responsible for the maintenance and integrity of the Company's website. UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Tate & Lyle PLC are listed in the Tate & Lyle Annual Report for the year ended 31 March 2018; the changes to the Board since 31 March 2018 being the retirement of Javed Ahmed and the appointment of Imran Nawaz on 1 April 2018 and 1 August 2018 respectively.

For and on behalf of the Board of Directors:

Nick Hampton	Imran Nawaz
Chief Executive	Chief Financial Officer

7 November 2018

INDEPENDENT REVIEW REPORT TO TATE & LYLE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Statement of Half Year Results for the six months to 30 September 2018 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the Statement of Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Statement of Half Year Results is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Statement of Half Year Results in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Statement of Half Year Results has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Statement of Half Year Results based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Statement of Half Year Results for the six months to 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
7 November 2018

CONDENSED (INTERIM) CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Continuing operations				
Sales	3	**1 383**	1 398	2 710
Operating profit	3	**113**	165	290
Finance income		**2**	1	2
Finance expense		**(15)**	(18)	(34)
Share of profit after tax of joint ventures and associates		**13**	13	28
Profit before tax		**113**	161	286
Income tax expense	5	**(32)**	(37)	(23)
Profit for the period – continuing operations		**81**	124	263
Profit for the period – discontinued operations		–	–	2
Profit for the period – total operations		**81**	124	265

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

Earnings per share		**Pence**	Pence	Pence
Continuing operations:				
– basic		**17.6p**	26.8p	57.0p
– diluted		**17.4p**	26.5p	56.1p
Total operations:				
– basic		**17.6p**	26.8p	57.4p
– diluted		**17.4p**	26.5p	56.5p

Analysis of adjusted profit for the period – continuing operations		**£m**	Restated* £m	Restated* £m
Profit before tax		**113**	161	286
Adjusted for:				
Net charge/(gain) for exceptional items	4	**47**	–	(2)
Amortisation of acquired intangible assets		**6**	5	12
Adjusted profit before tax	2	**166**	166	296
Adjusted income tax expense	2, 5	**(36)**	(39)	(64)
Adjusted profit for the period	2	**130**	127	232

* Comparatives restated as the Group no longer excludes net retirement benefit interest expense and the associated tax from its alternative performance measures. Refer to Note 1.

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Profit for the period		**81**	124	265
Other comprehensive income/(expense)				
Items that have been/may be reclassified to profit or loss:				
Fair value gain on cash flow hedges transferred to the income statement		**–**	(2)	(4)
Fair value gain on available-for-sale financial assets		**–**	1	3
Gain/(loss) on currency translation of foreign operations		**82**	(65)	(122)
Fair value (loss)/gain on net investment hedges		**(25)**	22	39
Share of other comprehensive income/(expense) of joint ventures and associates		**4**	(7)	(9)
Amounts transferred to the income statement upon disposal of associate		**–**	–	(1)
Tax effect of the above items		**–**	(1)	–
		61	(52)	(94)
Items that will not be reclassified to profit or loss:				
Re-measurement of retirement benefit plans:				
– return on plan assets	9	**(50)**	(14)	2
– net actuarial gain on retirement benefit obligations	9	**48**	1	41
Changes in the fair value of equity investments at fair value through other comprehensive income		**1**	–	–
Tax effect of the above items		**(3)**	1	(33)
		(4)	(12)	10
Total other comprehensive income/(expense)		**57**	(64)	(84)
Total comprehensive income		**138**	60	181
Analysed by:				
– continuing operations		**138**	60	179
– discontinued operations		**–**	–	2
Total comprehensive income		**138**	60	181

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

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	**At 30 September 2018 £m**	At 30 September 2017 £m	At 31 March 2018 £m
ASSETS				
Non-current assets				
Goodwill and other intangible assets		**354**	381	360
Property, plant and equipment		**989**	1 001	965
Investments in joint ventures		**85**	73	85
Available-for-sale financial assets	8	**–**	35	37
Investments in equities	8	**45**	–	–
Derivative financial instruments	8	**5**	10	8
Deferred tax assets		**6**	13	7
Trade and other receivables		**–**	1	3
Retirement benefit surpluses	9	**187**	123	178
		1 671	1 637	1 643
Current assets				
Inventories		**417**	380	419
Trade and other receivables		**346**	317	294
Current tax assets		**3**	1	1
Available-for-sale financial assets	8	**–**	1	–
Derivative financial instruments	8	**38**	35	24
Cash and cash equivalents	7	**284**	242	190
Assets classified as held for sale		**–**	4	–
		1 088	980	928
TOTAL ASSETS		**2 759**	2 617	2 571
EQUITY				
Capital and reserves				
Share capital		**117**	117	117
Share premium		**406**	406	406
Capital redemption reserve		**8**	8	8
Other reserves		**221**	201	159
Retained earnings		**660**	562	677
TOTAL EQUITY		**1 412**	1 294	1 367
LIABILITIES				
Non-current liabilities				
Trade and other payables		**9**	10	10
Borrowings	7	**577**	574	554
Derivative financial instruments	8	**33**	27	21
Deferred tax liabilities		**46**	30	42
Retirement benefit deficits	9	**169**	242	160
Provisions for other liabilities and charges		**24**	16	15
		858	899	802
Current liabilities				
Trade and other payables		**354**	316	312
Current tax liabilities		**74**	55	57
Borrowings and bank overdrafts	7	**24**	28	16
Derivative financial instruments	8	**20**	17	12
Provisions for other liabilities and charges		**17**	8	5
		489	424	402
TOTAL LIABILITIES		**1 347**	1 323	1 204
TOTAL EQUITY AND LIABILITIES		**2 759**	2 617	2 571

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Cash flows from operating activities				
Profit before tax from continuing operations		**113**	161	286
Adjustments for:				
Depreciation of property, plant and equipment		**55**	56	114
Amortisation of intangible assets		**20**	20	40
Share-based payments		**8**	8	15
Exceptional items	4	**46**	(2)	(4)
Net finance expense		**13**	17	32
Share of profit after tax of joint ventures and associates		**(13)**	(13)	(28)
Net retirement benefit obligations, comprising:		**(14)**	(20)	(94)
- Accelerated US defined benefit schemes contribution (exceptional cash flows)		**–**	–	(56)
- Underlying funding		**(14)**	(20)	(38)
Changes in working capital and other non-cash movements		**16**	16	(36)
Cash generated from continuing operations		**244**	243	325
Net income tax paid, comprising:		**(22)**	(22)	(11)
- Cash tax benefit on accelerated US defined benefit schemes contribution (exceptional cash flows)		**–**	–	20
- Net underlying income tax paid		**(22)**	(22)	(31)
Interest paid		**(11)**	(12)	(27)
Cash used in discontinued operations		**–**	–	(1)
Net cash generated from operating activities		**211**	209	286
Cash flows from investing activities				
Purchase of property, plant and equipment		**(46)**	(51)	(111)
Investments in intangible assets		**(16)**	(10)	(20)
Disposal of associates		**–**	–	5
Purchase of available-for-sale financial assets		**–**	(7)	(8)
Disposal of available-for-sale financial assets		**–**	1	4
Purchase of equity investments		**(6)**	–	–
Disposal of equity investments		**2**	–	–
Interest received		**2**	1	2
Dividends received from joint ventures and associates		**21**	25	26
Exceptional cash received on sale and leaseback of rail cars	4	**13**	–	–
Net cash used in investing activities		**(30)**	(41)	(102)
Cash flows from financing activities				
Purchase of own shares including net settlement		**(7)**	(14)	(27)
Cash inflow from additional borrowings		**1**	2	4
Cash outflow from repayment of borrowings		**–**	(69)	(77)
Repayment of capital element of finance leases		**(1)**	–	(1)
Dividends paid to the owners of the Company	6	**(94)**	(92)	(131)
Net cash used in financing activities		**(101)**	(173)	(232)
Net increase/(decrease) in cash and cash equivalents	7	**80**	(5)	(48)
Cash and cash equivalents				
Balance at beginning of period		**190**	261	261
Net increase/(decrease) in cash and cash equivalents		**80**	(5)	(48)
Currency translation differences		**14**	(14)	(23)
Balance at end of period	7	**284**	242	190

A reconciliation of the movement in cash and cash equivalents to the movement in net debt is presented in Note 7.

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Attributable to the owners of the Company £m	Total equity £m
At 1 April 2018	523	8	159	677	1 367	1 367
Six months to 30 September 2018:						
Profit for the period – total operations	–	–	–	**81**	**81**	**81**
Other comprehensive income/(expense)	–	–	**62**	**(5)**	**57**	**57**
Total comprehensive income	–	–	**62**	**76**	**138**	**138**
Hedging gains/(losses) transferred to inventory	–	–	–	–	–	–
Share-based payments, net of tax	–	–	–	**8**	**8**	**8**
Purchase of own shares including net settlement	–	–	–	**(7)**	**(7)**	**(7)**
Dividends paid (Note 6)	–	–	–	**(94)**	**(94)**	**(94)**
At 30 September 2018	**523**	**8**	**221**	**660**	**1 412**	**1 412**

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Attributable to the owners of the Company £m	Total equity £m
At 1 April 2017	523	8	253	548	1 332	1 332
Six months to 30 September 2017:						
Profit for the period – total operations	–	–	–	124	124	124
Other comprehensive expense	–	–	(52)	(12)	(64)	(64)
Total comprehensive (expense)/income	–	–	(52)	112	60	60
Share-based payments, net of tax	–	–	–	8	8	8
Purchase of own shares to trust or treasury	–	–	–	(14)	(14)	(14)
Dividends paid	–	–	–	(92)	(92)	(92)
At 30 September 2017	523	8	201	562	1 294	1 294

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Attributable to the owners of the Company £m	Total equity £m
At 1 April 2017	523	8	253	548	1 332	1 332
Year to 31 March 2018:						
Profit for the year – total operations	–	–	–	265	265	265
Other comprehensive (expense)/income	–	–	(94)	10	(84)	(84)
Total comprehensive (expense)/income	–	–	(94)	275	181	181
Share-based payments, net of tax	–	–	–	12	12	12
Purchase of own shares to trust or treasury	–	–	–	(27)	(27)	(27)
Dividends paid	–	–	–	(131)	(131)	(131)
At 31 March 2018	523	8	159	677	1 367	1 367

NOTES TO THE FINANCIAL INFORMATION

For the six months to 30 September 2018

1. Presentation of half year financial information

The principal activity of Tate & Lyle PLC and its subsidiaries, together with its joint ventures and associated undertakings, is the global provision of ingredients and solutions to the food, beverage and other industries.

The Company is a public limited company incorporated and domiciled in the United Kingdom and registered in England. The address of its registered office is 1 Kingsway, London WC2B 6AT. The Company has its primary listing on the London Stock Exchange.

Basis of preparation

This condensed set of consolidated financial information for the six months to 30 September 2018 has been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the European Union (EU). The condensed set of consolidated financial information should be read in conjunction with the Group's Annual Report and Accounts for the year to 31 March 2018, which were prepared in accordance with IFRSs as adopted by the EU.

Having reviewed the Group's latest projected results, cash flows, liquidity position and borrowing facilities, 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 condensed set of financial information and that there are no material uncertainties around their assessment. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the condensed set of consolidated financial information.

The condensed set of consolidated financial information is unaudited, but has been reviewed by the external auditors. The condensed set of consolidated financial information in the Statement of Half Year Results does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published Annual Report and Accounts for the year to 31 March 2018 were approved by the Board of Directors on 23 May 2018 and filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 (2) or (3) of the Companies Act 2006. The condensed set of consolidated financial information for the six months to 30 September 2018 on pages 15 to 32 was approved by the Board of Directors on 7 November 2018.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts for the year to 31 March 2018, but also reflect the adoption, with effect from 1 April 2018, of new or revised accounting standards, as set out below:

- IFRS 9 – Financial Instruments
  The Group has completed its review of the key areas of IFRS 9 focused principally on classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The Group has concluded that the adoption of IFRS 9 has not had a material impact on its consolidated results or financial position. There are however a number of presentational changes and additional disclosures. Further detail is provided in Note 11.

- 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 3).

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:

- IFRS 16 – Leases (effective for the year ending 31 March 2020)
  The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model, requiring the recognition of substantially all current operating lease commitments on the statement of financial position.

The Group is continuing the process of assessing all existing leases against the guidance contained in IFRS 16. Material judgements and estimates are required in identifying and accounting for leases and determining the discount rate, as well as choosing a transition methodology. The Group is continuing to assess the impact of these judgements and estimates, and based on current information, expects a material increase in both property, plant and equipment and associated lease obligations. A quantification of the impact upon adoption will be included in the 31 March 2019 financial statements.

NOTES TO THE FINANCIAL INFORMATION

For the six months to 30 September 2018

1. Presentation of half year financial information (continued)

Changes in accounting policy and disclosures (continued)

– IFRIC 23 – Uncertainty over Income Tax Treatments (effective for the year ending 31 March 2020)
  The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. A quantification of the impact upon adoption together with any other implications of this interpretation will be included in the 31 March 2019 financial statements.

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

Seasonality

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

Changes in constant currency

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

Use of alternative performance measures

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

- **Exceptional items** (excluded as they are material in amount; and 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 to 31 March 2018 to enhance the funding status of the Group's pension schemes, the Group no longer excludes net retirement benefit interest expense and the associated tax from its alternative performance measures as the size of this item is not material. The adjusted results for the six months to 30 September 2017 and year to 31 March 2018 have been restated accordingly.

	Six months to 30 September 2017			Year to 31 March 2018		
£m unless otherwise stated **Continuing operations**	**As reported**	**Adjusting items**	**Restated**	**As reported**	**Adjusting items**	**Restated**
Adjusted profit before tax	169	(3)	166	301	(5)	296
Adjusted income tax expense	(40)	1	(39)	(66)	2	(64)
Adjusted profit for the period	129	(2)	127	235	(3)	232
Adjusted basic earnings per share (p)	28.0p	(0.3p)	27.7p	50.9p	(0.6p)	50.3p
Adjusted diluted earnings per share (p)	27.6p	(0.3p)	27.3p	50.1p	(0.7p)	49.4p
Adjusted effective tax rate	23.5%		23.1%	21.9%		21.5%

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 2.

1. Presentation of half year financial information (continued)

Exceptional items

Exceptional items comprise items of income, expense and cash flow, including tax items that: are material in amount; and 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.

All material amounts relating to exceptional items in the Group's financial statements are classified on a consistent basis across accounting periods.

2. Reconciliation of alternative performance measures

For the reasons set out in Note 1, the Group presents alternative performance measures including adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

Following the payments in the year to 31 March 2018 to enhance the funding status of the Group's pension schemes, the Group no longer excludes net retirement benefit interest expense and the associated tax from its alternative performance measures as the size of this item is not material. Adjusted results for the six months to 30 September 2017 and the year to 31 March 2018 have been restated to remove the adjustment relating to net retirement benefit interest expense. The effect of this restatement is presented in Note 1.

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

	Six months to 30 September 2018			Restated Six months to 30 September 2017		
£m unless otherwise stated **Continuing operations**	**IFRS reported**	**Adjusting items**	**Adjusted reported**	IFRS reported	Adjusting items	Adjusted reported
Sales	**1 383**	**–**	**1 383**	1 398	–	1 398
Operating profit	**113**	**53**	**166**	165	5	170
Profit before tax	**113**	**53**	**166**	161	5	166
Income tax expense	**(32)**	**(4)**	**(36)**	(37)	(2)	(39)
Profit for the period	**81**	**49**	**130**	124	3	127
Basic earnings per share	**17.6p**	**10.6p**	**28.2p**	26.8p	0.9p	27.7p
Diluted earnings per share	**17.4p**	**10.5p**	**27.9p**	26.5p	0.8p	27.3p
Effective tax rate	**28.2%**		**21.5%**	22.8%		23.1%

	Restated Year to 31 March 2018		
Continuing operations	IFRS reported	Adjusting items	Adjusted reported
Sales	2 710	–	2 710
Operating profit	290	10	300
Profit before tax	286	10	296
Income tax expense	(23)	(41)	(64)
Profit for the year	263	(31)	232
Basic earnings per share	57.0p	(6.7p)	50.3p
Diluted earnings per share	56.1p	(6.7p)	49.4p
Effective tax rate	8.1%		21.5%

2. Reconciliation of alternative performance measures (continued)

The following table shows the reconciliation of the adjusting items in the current and comparative periods:

Continuing operations	Notes	**Six months to 30 September 2018 £m**	Restated Six months to 30 September 2017 £m	Restated Year to 31 March 2018 £m
Exceptional loss/(gain) in operating profit	4	**47**	–	(2)
Amortisation of acquired intangible assets		**6**	5	12
Total excluded from adjusted profit before tax		**53**	5	10
Tax credit on adjusting items	5	**(4)**	(2)	(3)
Exceptional deferred tax credits	4, 5	**–**	–	(38)
Total excluded from adjusted profit for the period		**49**	3	(31)

Alternative cash flow measures

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

(a) Adjusted free cash flow represents cash generated from continuing operations after net interest and tax paid, and capital expenditure, and excluding the impact of exceptional items.

(b) Adjusted operating cash flow is defined as adjusted free cash flow from continuing operations, adding back net interest and tax paid, retirement cash contributions, and excluding derivative and margin call movements within working capital.

The following table shows the reconciliation of these alternative cash flow performance measures:

	Six months to 30 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Adjusted operating profit from continuing operations	**166**	170	300
Adjusted for:			
Depreciation and adjusted amortisation	**69**	71	142
Share-based payments charge	**8**	8	15
Changes in working capital and other non-cash movements	**16**	16	(36)
Net retirement benefit obligations	**(14)**	(20)	(94)
Less: accelerated US defined benefit schemes contributions (exceptional cash flows)	**–**	–	56
Net retirement benefit obligations: underlying funding	**(14)**	(20)	(38)
Capital expenditure	**(62)**	(61)	(131)
Net interest and tax paid	**(31)**	(33)	(36)
Less: cash tax benefit on accelerated US defined benefit schemes contribution (exceptional cash flows)	**–**	–	(20)
Net interest and tax paid: underlying	**(31)**	(33)	(56)
Adjusted free cash flow	**152**	151	196
Add back: net interest and tax paid	**31**	33	56
Add back: net retirement cash contributions	**17**	25	44
Less: derivatives and margin call movements within working capital	**1**	4	3
Adjusted operating cash flow	**201**	213	299

2. Reconciliation of alternative performance measures (continued)

Other performance measures

The Group presents certain financial measures as defined in its external financial covenants as Key Performance Indicators. Net debt to EBITDA and interest cover are defined under the Group's financial covenants and are required to be reported on a proportionate consolidation basis. For financial covenant purposes these ratios are calculated based on the accounting standards that applied for the 2014 financial year, with new accounting standards adopted by the Group subsequent to 1 April 2014 disregarded, with performance based on the preceding 12 months' results. Net debt is calculated using average currency exchange rates. All ratios are calculated based on unrounded figures in £ million. The following tables present the calculation of these alternative measures:

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Calculation of Net debt to EBITDA ratio – on a financial covenant basis			
Net debt (see Note 7)	**337**	371	392
Further adjustments set out in financial covenants:			
to reflect use of average exchange rates in translating net debt and proportionate consolidation	**2**	28	25
Net debt – on a financial covenant basis	**339**	399	417
Adjusted operating profit	**296**	301	300
Further adjustments set out in financial covenants:			
to reflect proportionate consolidation	**44**	40	44
to exclude charges for share-based payments	**14**	21	15
to add back depreciation and adjusted amortisation	**140**	145	142
deduction for other finance costs	**(2)**	–	(2)
Pre-exceptional EBITDA – on a financial covenant basis	**492**	507	499
Net debt to EBITDA ratio (times)	**0.7**	0.8	0.8

Calculation of interest cover ratio – on a financial covenant basis			
Adjusted operating profit	**296**	301	300
Further adjustments set out in financial covenants:			
to reflect proportionate consolidation	**39**	36	39
to exclude charges for share-based payments	**14**	21	15
deduction for other finance costs	**(2)**	–	(2)
Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis	**347**	358	352
Adjusted net finance expense	**26**	27	27
Less: Other finance costs	**(2)**	(1)	(2)
Further adjustments set out in financial covenants including proportionate consolidation and other adjustments	**–**	(1)	(1)
Net finance expense – on a financial covenant basis	**24**	25	24
Interest cover ratio (times)	**14.7**	14.5	14.6

3. Segment information

Segment information is presented on a basis consistent with the information presented to the Board (the designated Chief Operating Decision Maker). Set out below is also a disaggregation of the Group's revenue. All revenue is from the sale of goods to external customers and is recognised at a point in time once control has passed.

(a) Segment sales

	Six months to 30 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Food & Beverage Solutions			
North America	**211**	211	416
Asia Pacific and Latin America	**105**	98	184
Europe, Middle East and Africa	**127**	124	250
Food & Beverage Solutions – total	**443**	433*	850
Sucralose – total	**77**	76*	146
Primary Products			
Americas	**804**	822	1 590
Rest of the world	**59**	67	124
Primary Products – total	**863**	889	1 714
Total	**1 383**	1 398	2 710

* Restated to reflect the change in reportable segments made in the 2018 financial year.

(b) Segment results

	Notes	**Six months to 30 September 2018 £m**	Restated Six months to 30 September 2017* £m	Year to 31 March 2018 £m
Adjusted operating profit				
Food & Beverage Solutions		**77**	75*	137
Sucralose		**27**	29*	55
Primary Products		**85**	93	166
Central		**(23)**	(27)	(58)
Adjusted operating profit		**166**	170	300
Adjusting items:				
– exceptional items	4	**(47)**	–	2
– amortisation of acquired intangible assets		**(6)**	(5)	(12)
Operating profit		**113**	165	290
Finance income		**2**	1	2
Finance expense		**(15)**	(18)	(34)
Share of profit after tax of joint ventures and associates		**13**	13	28
Profit before tax		**113**	161	286

* Restated to reflect the change in reportable segments made in the 2018 financial year.

	Six months to 30 September 2018 %	Six months to 30 September 2017 %*	Year to 31 March 2018 %
Adjusted operating margin – continuing operations			
Food & Beverage Solutions	**17.4%**	17.3%*	16.1%
Sucralose	**35.1%**	38.2%*	37.7%
Primary Products	**9.8%**	10.5%	9.7%
Central	**n/a**	n/a	n/a
Total	**12.0%**	12.2%	11.1%

* Restated to reflect the change in reportable segments made in the 2018 financial year.

4. Exceptional items

Exceptional items recognised in the income statement are as follows:

Income statement – continuing operations	Footnote	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Impairment of oats ingredients business	(a)	**(40)**	–	–
Restructuring costs	(b)	**(2)**	–	–
Gain on sale and leaseback of rail cars	(c)	**11**	–	–
Asset remediation	(d)	**(16)**	–	–
Tate & Lyle Ventures gain on disposals	(e)	**–**	–	2
Exceptional items included in profit before tax		**(47)**	–	2
US tax adjustments	(f)	**–**	–	36
UK tax adjustments	(g)	**–**	–	2
Exceptional items included in income tax		**–**	–	38
Total exceptional items		**(47)**	–	40

Exceptional items arising from simplifying the business and driving productivity

In the six months to 30 September 2018, a number of exceptional items have been recognised arising from the Group's activities to sharpen the business portfolio and simplify the business:

a) The Group no longer believes that its oats ingredients business fits well with the mainstream food categories on which we now focus and, after a period of underperformance, is conducting a strategic review of the business to determine its future. In the six months to 30 September 2018, the Group recognised an exceptional non-cash impairment charge of £40 million relating to this business. The exceptional charge represents an impairment of non-current assets totalling £39 million (of which £25 million relates to property, plant and equipment and £14 million relates to intangible assets) and current assets totalling £1 million. The 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 (£30 million), with any further non-cash costs to be reported as incurred. In the six months to 30 September 2018, the Group recognised a one-off restructuring charge of £2 million (of which £1 million was paid during the period), mainly in respect of employee severance costs. The charge was classified as Central costs.

c) In the six months to 30 September 2018, the Group exercised an option to buy a tranche of rail cars under operating leases. The rail cars were subsequently sold and leased back generating an exceptional cash gain of £13 million partially offset by a non-cash charge of £2 million. The net £11 million gain was recognised within the Primary Products segment (£10 million) and the Food & Beverage Solutions segment (£1 million). A further smaller tranche of rail car leases is expected to be purchased, sold and leased back in the second half of the year ending 31 March 2019.

d) In the six months to 30 September 2018, the Group recognised an exceptional provision of £16 million to remediate environmental health and safety risks associated primarily with idle assets at manufacturing sites, mainly in the US. This item represents the principal movement in provisions since 31 March 2018. 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 £2 million is expected to be paid in the second half of the year ending 31 March 2019.

Overall, exceptional items before tax in the period were net cash inflows of £12 million and net non-cash charges of £59 million.

Other exceptional items

e) Tate & Lyle Ventures gain on disposals – in the year to 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 to 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.

4. Exceptional items (continued)

g) In the year to 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 second half of 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 to 31 March 2018 an exceptional tax credit of £2 million was recognised in discontinued operations.

The exceptional cash flows in the current and comparative periods were as follows:

Net cash (outflows)/inflows on exceptional items	Footnote	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Continuing operations				
Impairment of oats ingredients business	(a)	**–**	–	–
Restructuring costs	(b)	**(1)**	–	–
Gain on sale and leaseback of rail cars	(c)	**13**	–	–
Asset remediation	(d)	**–**	–	–
Tate & Lyle Ventures gain on disposals	(e)	**–**	–	2
Business re-alignment – impairment restructuring and other net costs	(h)	**–**	(2)	(2)
Accelerated US defined benefit schemes contribution	(i)	**–**	–	(56)
Cash tax benefit on accelerated contribution	(i)	**–**	–	20
Net cash inflows/(outflows) – exceptional items		**12**	(2)	(36)

Reconciliation to the statement of cash flows	Footnote	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Exceptional charge/(gain) included in profit before tax		**47**	–	(2)
Less: Restructuring costs	(b)	**(1)**	–	–
Less: Business re-alignment	(h)	**–**	(2)	(2)
Exceptional items included within cash generated from operating activities		**46**	(2)	(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)
Gain on sale and leaseback of rail cars	(c)	**13**	–	–
Tate & Lyle Ventures gain on disposals	(e)	**–**	–	2
Exceptional items included within cash flows from investing activities		**13**	–	2

h) In the year to 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 to 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 a net cash outflow of £36 million. This cash contribution was incremental to the on-going annual scheme payments.

NOTES TO THE FINANCIAL INFORMATION

For the six months to 30 September 2018

5. Income tax expense

Continuing operations	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Current tax:			
– United Kingdom	**(3)**	–	(9)
– Overseas	**(31)**	(23)	(45)
	(34)	(23)	(54)
Deferred tax:			
Credit/(expense) for the period	**2**	(14)	31
Income tax expense	**(32)**	(37)	(23)

Reconciliation to adjusted income tax expense	Note	**£m**	Restated* £m	Restated* £m
Income tax expense		**(32)**	(37)	(23)
Adjusted for:				
Taxation on exceptional items; and amortisation of acquired intangibles		**(4)**	(2)	(3)
Exceptional US tax credits		**–**	–	(36)
Exceptional UK tax credits		**–**	–	(2)
Adjusted income tax expense – continuing operations	2	**(36)**	(39)	(64)

* Comparatives restated as the Group no longer excludes net retirement benefit interest expense and the associated tax from its alternative performance measures. Refer to Note 1.

The Group's statutory effective tax rate on continuing operations, calculated on the basis of the reported income tax expense of £32 million as a proportion of profit before tax of £113 million was 28.2% (six months to 30 September 2017 – 22.8%; year to 31 March 2018 – 8.1%).

The Group's adjusted effective tax rate on continuing operations, calculated on the basis of the adjusted income tax expense of £36 million as a proportion of adjusted profit before tax of £166 million was 21.5% (six months to 30 September 2017 – 23.1%; year to 31 March 2018 – 21.5%). The reduction from the comparative period reflected the lower headline rate of federal income tax in the US.

6. Dividends on ordinary shares

The Directors have declared an interim dividend of 8.6p per share for the six months to 30 September 2018 (six months to 30 September 2017 – 8.4p per share), payable on 4 January 2019.

The final dividend for the year to 31 March 2018 of £94 million, representing 20.3p per share, was paid during the six months to 30 September 2018.

7. Net debt

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

	At 30 September 2018 £m	At 30 September 2017 £m	At 31 March 2018 £m
Non-current borrowings	**(577)**	(574)	(554)
Current borrowings and bank overdrafts	**(24)**	(28)	(16)
Debt-related derivative financial instruments	**(20)**	(11)	(12)
Cash and cash equivalents	**284**	242	190
Net debt	**(337)**	(371)	(392)

Debt-related derivative financial instruments represents 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 30 September 2018, the net fair value of these derivatives comprised assets of £12 million (30 September 2017 – £17 million; 31 March 2018 – £10 million) and liabilities of £32 million (30 September 2017 – £28 million; 31 March 2018 – £22 million).

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

	Six months to 30 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Net debt at beginning of the period	**(392)**	(452)	(452)
Increase/(decrease) in cash and cash equivalents in the period	**80**	(5)	(48)
Net decrease in borrowings[1]	**–**	67	74
Currency translation differences[2]	**(23)**	21	35
Other fair value movements	**(2)**	(2)	(1)
Decrease in net debt in the period	**55**	81	60
Net debt at end of the period	**(337)**	(371)	(392)

1 Where relevant, net change in borrowings includes repayments of capital elements of finance leases (six months to 30 September 2018 – £1 million, six months to 30 September 2017 – £nil; year to 31 March 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.

8. Financial instruments

As a result of the adoption of IFRS 9, effective 1 April 2018, the assets previously described as available-for-sale assets are now described as financial assets at fair value through profit or loss (FVPL) or financial assets at fair value through the statement of Other Comprehensive Income (FVOCI). Based on the nature of these investments and materiality, they have been categorised into an “Investments in equities” financial statement line item.

Carrying amount versus fair value

The fair value of borrowings is estimated to be £606 million (30 September 2017 – £621 million; 31 March 2018 – £576 million) and has been determined using quoted market prices, broker dealer quotations or discounted cash flow analysis. The carrying value of other assets and liabilities held at amortised cost is not materially different from their fair value. Further details of these instruments and our associated accounting policies can be found in Note 2 on page 106 of the Group’s 2018 Annual Report.

Fair value measurements recognised in the balance sheet

The table below shows the Group’s financial assets and liabilities measured at fair value at 30 September 2018. The fair value hierarchy categorisation, valuation techniques and inputs, consistent with those used in the year to 31 March 2018 (see Notes 2 and 29 of the Group’s 2018 Annual Report) are:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
- Level 2: Inputs are those, other than quoted prices included in Level 1, that are observable either directly or indirectly; and
- Level 3: Inputs are unobservable inputs. The Group generally classifies assets or liabilities as Level 3 when the fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of observable inputs of the assets or liabilities.

	At 30 September 2018				**At 31 March 2018**			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets at fair value								
Investments in equities	**–**	**–**	**45**	**45**	–	–	–	–
Available-for-sale financial assets	**–**	**–**	**–**	**–**	–	–	37	37
Derivative financial instruments:								
– currency swaps	**–**	**–**	**–**	**–**	–	1	–	1
– interest rate swaps	**–**	**12**	**–**	**12**	–	9	–	9
– commodity pricing contracts	**1**	**3**	**27**	**31**	5	6	11	22
Assets at fair value	**1**	**15**	**72**	**88**	5	16	48	69
Liabilities at fair value								
Derivative financial instruments:								
– currency swaps	**–**	**(32)**	**–**	**(32)**	–	(22)	–	(22)
– commodity pricing contracts	**(5)**	**(11)**	**(5)**	**(21)**	(5)	(1)	(5)	(11)
Liabilities at fair value	**(5)**	**(43)**	**(5)**	**(53)**	(5)	(23)	(5)	(33)

The derivative financial instruments included with the Group’s Level 2 financial instruments are valued based on observable inputs. The fair value of currency swaps is based indirectly on published rate curves.

The commodity pricing contracts included within the Group’s Level 3 financial instruments are valued based on the Group’s own assessment of the particular commodity, its supply and demand and expected pricing. The most significant unobservable inputs for those written commodity contracts remain the future price of co-product positions and basis. The methodology used to value all Level 3 financial instruments remains unchanged from that used at 31 March 2018 and the sensitivity of the fair value of the Level 3 financial instruments to changes in the price of commodity contracts and changes in basis is not materially different to that disclosed at 31 March 2018 (10% movement in the price of co-products and basis would result in a net fair value movement of £8 million and £2 million respectively). Further detail can be found on page 149 of the Group’s 2018 Annual Report.

8. Financial instruments (continued)

The following table reconciles the movement in fair value of net financial instruments classified in 'Level 3' of the fair value hierarchy:

	Financial assets at FVPL £m	Financial assets at FVOCI £m	Available-for-sale financial assets £m	Commodity pricing contract – assets £m	Commodity pricing contract – liabilities £m	Total £m
At 1 April 2018	**–**	**–**	**37**	**11**	**(5)**	**43**
IFRS 9 transfer (Note 11)	**21**	**16**	**(37)**	**–**	**–**	**–**
Total gains/(losses)[1]:						
– in operating profit	**–**	**–**	**–**	**26**	**(5)**	**21**
– in other comprehensive income	**–**	**1**	**–**	**–**	**–**	**1**
Re-measurement of non-qualified deferred compensation arrangements	**1**	**–**	**–**	**–**	**–**	**1**
Purchases	**3**	**3**	**–**	**–**	**–**	**6**
Settlements	**(2)**	**–**	**–**	**(10)**	**5**	**(7)**
Currency translation differences	**2**	**–**	**–**	**–**	**–**	**2**
At 30 September 2018	**25**	**20**	**–**	**27**	**(5)**	**67**

[1] Relates to unrealised gains.

9. Retirement benefit obligations

At 30 September 2018, the net surplus in respect of retirement benefits was £18 million (31 March 2018 – surplus of £18 million). The significant movements in the period were a £48 million gain from the reduction in liabilities (reflecting principally changes in financial assumptions), offset by a £50 million charge due to a lower return on plan assets (excluding amounts included in net interest expense). Both of these items were recognised in the consolidated statement of comprehensive income.

10. Events after the reporting period

There were no material post balance sheet events requiring disclosure in respect of the six months to 30 September 2018.

11. Change in accounting policies

As explained in Note 1, 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 the adjustments recognised for each individual line item affected by the adoption of these new accounting standards:

	31 March 2018 as originally presented £m	IFRS 9 £m	IFRS 15 £m	31 March 2018 Restated £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**

11. Change in accounting policies (continued)

IFRS 9 Financial Instruments

a) Classification of certain financial assets

As described in Note 8, certain investments in unlisted equity securities were reclassified from available-for-sale financial assets to financial assets at FVOCI and financial assets at FVPL. They do not meet the IFRS 9 criteria for classification at amortised costs 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. These assets are classified in investment in equities within the statement of financial position.

b) Impairment

The Group was required to revise its impairment methodology under IFRS 9. For trade receivables the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As a result of the change in methodology an adjustment of £nil has been made to opening retained earnings. 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**

c) Hedge accounting

IFRS 9 amends some of the requirements for adoption of hedge accounting. The commodity and foreign currency 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 are therefore treated as continuing 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 adopted IFRS 15 from 1 April 2018, although as a result of this no material adjustment or significant change of accounting policy was required.

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 understood. 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 30 September 2018 will have a material adverse effect on the Group's financial position.

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 period results at prior period exchange rates. The following table provides a reconciliation between the six months to September 2018 performance at actual exchange rates and at constant currency exchange rates. Absolute numbers presented in the table are rounded for presentational purposes, whereas the growth percentages are calculated on unrounded numbers.

Six months to 30 September Adjusted performance Continuing operations	**2018 £m**	FX £m	2018 at constant currency £m	Underlying growth £m	Restated[1,2] 2017 £m	Change %	Change in constant currency %
Sales	**1 383**	42	1 425	27	1 398	(1%)	2%
Adjusted operating profit							
Food & Beverage Solutions	**77**	–	77	2	75[1]	2%	3%
Sucralose	**27**	2	29	–	29[1]	(4%)	1%
Primary Products	**85**	3	88	(5)	93	(8%)	(6%)
Central	**(23)**	–	(23)	4	(27)	13%	12%
Adjusted operating profit	**166**	5	171	1	170	(2%)	0%
Net finance expense	**(13)**	–	(13)	4	(17)[2]	20%	18%
Share of profit after tax of joint ventures and associates	**13**	–	13	–	13	1%	6%
Adjusted profit before tax	**166**	5	171	5	166	0%	2%
Adjusted income tax expense	**(36)**	(1)	(37)	2	(39)[2]	7%	4%
Adjusted profit after tax	**130**	4	134	7	127	2%	4%
Adjusted diluted EPS (pence)	**27.9p**	0.7p	28.6p	1.3p	27.3p	2%	5%

1 Restated to reflect the change in reportable segments made in the 2018 financial year.
2 Restated as the Group no longer excludes net retirement benefit interest expense and the associated tax from its alternative performance measures. Refer to Note 1.

Ratio analysis

		30 September 2018	30 September 2017	31 March 2018
Net debt to EBITDA – on a financial covenant basis				
=	Net debt	**339**	399	417
	Pre-exceptional EBITDA	**492**	507	499
		= 0.7 times	= 0.8 times	= 0.8 times
Interest cover – on a financial covenant basis				
=	Operating profit before exceptional items and amortisation of intangible assets	**347**	358	352
	Net finance expense	**24**	25	24
		= 14.7 times	= 14.5 times	= 14.6 times
Gearing				
=	Net debt	**337**	371	392
	Total equity	**1 412**	1 294	1 367
		= 24%	= 29%	= 29%

Note:
All ratios are calculated based on unrounded figures in £ million. Net debt to EBITDA and interest cover are defined and reconciled in Note 2 of the attached financial information. Gearing is prepared using equity accounted net debt and total equity from the consolidated statement of financial position.