

28 May 2015

**TATE & LYLE PLC**  
**ANNOUNCEMENT OF FULL YEAR RESULTS**  
**For the year ended 31 March 2015**

<b>£m and continuing operations<sup>1</sup> unless stated otherwise</b>	<b>2015</b>	2014 (restated)	<b>% change</b>	<b>% change in constant currency<sup>5</sup></b>
<b>Adjusted results</b>				
Adjusted sales <sup>2</sup>	<b>2 694</b>	3 147	(14)%	(11)%
Adjusted operating profit <sup>3</sup>	<b>247</b>	349	(29)%	(27)%
Adjusted profit before tax <sup>4</sup>	<b>224</b>	322	(30)%	(28)%
Adjusted diluted earnings per share <sup>4</sup>	<b>37.7p</b>	55.7p	(32)%	(29)%
<b>Statutory results<sup>6</sup></b>				
Sales	<b>2 356</b>	2 754		
Operating profit (after exceptional items)	<b>33</b>	251		
Profit before tax	<b>51</b>	277		
Profit for the year (on total operations)	<b>30</b>	273		
Diluted earnings per share (on total operations)	<b>6.5p</b>	58.0p		
<b>Net debt<sup>7</sup></b>	<b>504</b>	353		
<b>Dividend per share</b>	<b>28.0p</b>	27.6p	+1.4%	

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

“It has been a very challenging year for the Group, but with the necessary actions underway we are firmly focused on improving our performance and continuing the evolution of Tate & Lyle into a global Speciality Food Ingredients business supported by cash generated from Bulk Ingredients.

The fundamentals of our Speciality Food Ingredients business and demand for our products remain strong. We have a portfolio of products with leading market positions, an expanding global footprint, and a steady flow of new products focused on major consumer trends, particularly in the health and wellness space; our Speciality Food Ingredients business is well-positioned for the future.”

**Key Points**

- Group adjusted profit before tax in line with February guidance, 30% lower at £224m (2014 – £322m):
  - Costs from operational and supply chain disruption of £20m
  - SPLENDA<sup>®</sup> Sucralose adjusted operating profit lower by £46m (£43m in constant currency)
  - European Bulk Ingredients adjusted operating profit lower by £17m
- Speciality Food Ingredients adjusted operating profit 29% lower in constant currency at £149m (2014 – £213m)
- Bulk Ingredients adjusted operating profit 19% lower in constant currency at £133m (2014 – £172m)
- Business re-alignment announced on 21 April 2015 to further focus on and strengthen Speciality Food Ingredients:
  - Re-focus SPLENDA<sup>®</sup> Sucralose on rigorous value-based strategy and consolidate production into one facility: impairment charge of £113m included in total exceptional charges of £142m (2014 – £14m)
  - Re-align Eaststarch European joint venture by acquiring full ownership of the more speciality-focused plant in Slovakia and exiting the predominantly Bulk Ingredients plants in Bulgaria, Turkey and Hungary. We will receive €240m in cash on completion of the transaction
- Implementation of new supplementary disclosure framework to provide more detail on business performance, including new disclosure on Innovation; volume from new products nearly doubled in the year
- Two major new product launches: DOLCIA PRIMA<sup>™</sup> Allulose and CLARIA<sup>®</sup> Functional Clean-label Starches
- Speciality Food Ingredients completed two ‘bolt-on’ acquisitions in Asia Pacific and Latin America
- Proposed final dividend of 19.8p, making a total dividend of 28.0p (2014 – 27.6p), up 1.4% on prior year
- The Board intends to maintain the total dividend payment at 28.0p for the year ending 31 March 2016

## Outlook

The year ahead will be one of structural change as we re-align the Eaststarch joint venture and SPLENDA<sup>®</sup> Sucralose, embed changes to improve our global supply chain capabilities, and bring on line additional growth capacity for Speciality Food Ingredients. We anticipate that, in this year of change, adjusted profit before tax for the year ending 31 March 2016 will be broadly in line with the 2015 financial year on a pro-forma basis<sup>8</sup> assuming the Eaststarch transaction completes in the summer as expected.

The longer term outlook for the business remains positive. We expect the global market for speciality food ingredients to grow at mid-single digits and our objective is to grow modestly ahead of the market via organic growth supplemented by bolt-on acquisitions. We continue to target sustained cash flows from Bulk Ingredients and to dampen volatility where possible. As the mix of the Group moves towards our higher margin Speciality Food Ingredients business augmented by operational improvements, over time we expect to steadily enhance Group profit and returns on capital.

The Board recognises the importance of dividends to shareholders and remains committed to the dividend policy it implemented in 2009. Underpinned by the confidence it has in the strategy of the business, the Board intends to recommend an unchanged final dividend for the year ended 31 March 2015 of 19.8p to make a total for the year of 28.0p, an increase of 1.4%. Further, the Board intends to maintain the total dividend payment at 28.0p for the year ending 31 March 2016.

1 Continuing operations include the results of Eaststarch which is not treated as a discontinued operation for the financial year ended 31 March 2015.

2 Including proportionate consolidation of sales of joint ventures of £338 million (2014 - £393 million).

3 Including proportionate consolidation of operating profit of joint ventures of £63 million (2014 - £74 million) and before an exceptional charge of £142 million (2014 - £14 million) and amortisation of acquired intangible assets of £9 million (2014 - £10 million)

4 Before proportionate consolidation of tax charge of joint ventures of £14 million (2014 - £13 million), and adjusted for the exceptional charge, amortisation of acquired intangible assets in adjusted operating profit in (3) above and retirement benefit interest and, for adjusted diluted earnings per share, the tax effect of these items.

5 Changes in constant currency are calculated by retranslating comparative period results at current period exchange rates.

6 Prior period restated for the adoption of IFRS 11 'Joint Arrangements'

7 Net debt includes share of net cash in joint ventures

8 Assumes foreign exchange rate of GBP:USD £1.00:\$1.54 and completion of the transaction on 30 June 2015. See unaudited pro-forma profit before tax for the year ended 31 March 2015 on page 19.

## **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 2015 can be found on our website at [www.tateandlyle.com](http://www.tateandlyle.com). A hard copy of this statement is also available from the Company Secretary, Tate & Lyle PLC, 1 Kingsway, London WC2B 6AT.

SPLENDA® is a trademark of McNeil Nutritionals, LLC.

## **Webcast and Conference Call Details**

A presentation of the results by Chief Executive, Javed Ahmed and Chief Financial Officer, Nick Hampton will be audio webcast live at 10.00 (BST) on Thursday 28 May 2015. To view and/or listen to a live audio-cast of the presentation, visit <http://view-w.tv/p/797-1031-15833/en>. Please note that remote listeners will not be able to ask questions during the Q&A session.

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

For those unable to view the webcast, there will also be a teleconference facility for the presentation.

Details are given below:

Dial in details:

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

US dial in number: +1 212 999 6659

Password: Tate & Lyle

14 day conference call replay:

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

US replay number: +1 866 583 1035

Replay Access code: 1463176

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## **CHIEF EXECUTIVE'S REVIEW**

Results for the continuing operations are adjusted to include the proportionate consolidation of joint ventures and exclude exceptional items, net retirement benefit interest and amortisation of acquired intangible assets. The Group's statutory results are presented in accordance with International Financial Reporting Standards as adopted by the European Union. Except where specifically stated to the contrary this commentary relates only to the adjusted results. A reconciliation of statutory and adjusted information is included in Note 18.

### **Overview of the Group's Performance**

The Group's performance for the year was significantly held back by three main factors: first, the impact of operational and supply chain issues experienced mainly in the first half of the financial year; secondly, the continued extremely competitive market for SPLENDA<sup>®</sup> Sucralose; and thirdly, the impact in the second half of the financial year of volatility and lower pricing in some of the commodity markets in which our Bulk Ingredients business operates.

Adjusted sales for the year were £2,694 million (2014 – £3,147 million), 14% lower than the prior year (11% in constant currency), with adjusted sales in Speciality Food Ingredients down 8% (4% in constant currency) to £908 million (2014 – £983 million) and 17% lower in Bulk Ingredients (14% in constant currency) at £1,786 million (2014 – £2,164 million). Adjusted operating profit was 29% lower (27% in constant currency) at £247 million (2014 – £349 million), with adjusted operating profit in Speciality Food Ingredients down 30% (29% in constant currency) to £149 million (2014 – £213 million), and 23% lower (19% in constant currency) in Bulk Ingredients at £133 million (2014 – £172 million). Adjusted profit before tax was 30% lower (28% in constant currency), at £224 million (2014 – £322 million), and adjusted diluted earnings per share were 32% lower (29% in constant currency) at 37.7p (2014 – 55.7p).

### **Balance sheet and financial management**

Net debt of £504 million at 31 March 2015 was higher than at the end of the prior year (2014 – £353 million), resulting mainly from lower earnings, capital investments in growth of Speciality Food Ingredients, dividend payments and adverse exchange movements of £46 million (including £7 million from joint ventures), primarily as a result of an increase in the value of dollar denominated debt due to the strengthening of the US dollar against sterling.

The key performance indicators (KPIs) of our financial strength, the ratio of net debt to pre-exceptional earnings before interest, tax, depreciation and amortisation (EBITDA) and interest cover, remain well within our internal thresholds. At 31 March 2015, the net debt to EBITDA ratio was 1.3 times (2014 – 0.8 times), against our internal threshold of 2.0 times and interest cover on total operations was 10.7 times (2014 – 11.6 times), comfortably ahead of our minimum threshold of 5.0 times.

The return we generate on our assets decreased during the year due to lower earnings, with a return on capital employed of 13.9% (2014 – 19.2%), although this remains well ahead of our weighted average cost of capital.

Our average quarterly cash conversion cycle worsened by eight days to 47 days (2014 – 39 days) resulting primarily from higher inventory days, as we rebuilt inventory and recovered from supply chain disruption, and higher receivables days, partially offset by higher payables days.

## Safety

As a result of the four tragic accidents that occurred in the 2013 and 2014 calendar years which led to five fatalities, during the year we undertook a thorough review of our safety management and accident prevention programmes across the Group. This included the use of external safety auditors to review safety management and controls at all of our major manufacturing sites. Based on these reviews, we have further strengthened our safety and accident prevention programmes, which are being overseen by the Corporate Responsibility Committee of the Board. Our clear priority going forward is to re-establish the consistently high level of safety performance we have achieved in previous years.

## Key performance indicators

Our key performance indicators (KPI) for the year ended 31 March 2015 are as follows:

KPI	Measure	Year ended 31 March		Change <sup>1</sup>
		2015	2014	
<b>Growth in SFI sales</b>	Adjusted sales	<b>£908m</b>	£983m	- 4%
<b>Profitability</b>	Adjusted operating profit	<b>£247m</b>	£349m	- 27%
<b>Working capital efficiency</b>	Cash conversion cycle <sup>2</sup>	<b>47 days</b>	39 days	Worsened by 8 days
<b>Financial strength</b>	Net debt/EBITDA <sup>3</sup>	<b>1.3x</b>	0.8x	
	Interest cover <sup>3</sup>	<b>10.7x</b>	11.6x	
<b>Return on assets</b>	Return on capital employed	<b>13.9%</b>	19.2%	- 5.3 ppts
<b>Corporate Responsibility<sup>4</sup></b>	Safety – Recordable incident rate	<b>0.85</b>	0.58	
	Safety – Lost work case rate	<b>0.32</b>	0.13	

The Group has reviewed the appropriateness of Cash Conversion Cycle as its cash flow KPI, and concluded that Adjusted Group Operating Cash Flow<sup>5</sup> is a more effective measure of overall cash management. Accordingly, with effect from the 2016 financial year, we intend to replace Cash Conversion Cycle with Adjusted Group Operating Cash Flow as a Group KPI.

<sup>1</sup> Adjusted sales and adjusted operating profit change shown in constant currency

<sup>2</sup> Defined as controllable working capital divided by quarterly sales, multiplied by number of days in quarter on a four quarter rolling basis (a reduction in the number of days represents an improvement)

<sup>3</sup> These ratios have been calculated under the Group's bank covenant definitions

<sup>4</sup> Measured on a calendar year basis

<sup>5</sup> Defined as Adjusted Cash Flow from Continuing Operating Activities (excluding pensions, derivative financial instruments, tax, interest and acquisitions) less Capital Expenditure.

## **Dividend**

The Board recognises the importance of dividends to our shareholders and remains committed to the dividend policy it implemented in 2009. Underpinned by the confidence it has in the strategy of the business, the Board intends to recommend an unchanged final dividend for the year ended 31 March 2015 of 19.8p to make a total for the year of 28.0p, an increase of 1.4%. Further, the Board intends to maintain the total dividend payment at 28.0p for the year ending 31 March 2016.

Subject to shareholder approval, the proposed final dividend will be due and payable on 31 July 2015 to shareholders on the Register of Members at 3 July 2015.

## **New supplementary disclosure framework**

To provide more detail on our business performance, in addition to the segmental disclosure required under IFRS (which remains unchanged), and given the evolving nature of the business including the changes announced in April, we intend to disclose additional information regarding the performance of our operating segments. We believe this will provide a clearer understanding of the drivers of performance, better highlight the impact of commodity volatility, and drive a greater understanding of the sustainable growth potential of the business. Details of the additional disclosures are set out on pages 18 and 19 of this statement.

## **Operational and supply chain disruption**

Internal operational and supply chain disruption significantly impacted our business during the year, leading both to additional costs of order fulfilment totalling £20 million and some missed sales opportunities. This disruption occurred due to a combination of factors. The unusually prolonged and severe 2013/14 winter in the US caused operational difficulties in our US plants which led us to enter the 2015 financial year with much lower inventories than usual. Then, in the first quarter of the financial year, following an industrial accident, our SPLENDA<sup>®</sup> Sucralose facility in Singapore had to take an extended shutdown. These events materially disrupted our supply chain as we had to manage a combination of operational challenges in our plant network, low absolute levels of inventory, and misalignments between customer demand and inventory location.

As a result of these issues, in September 2014 we initiated a detailed review of our global demand, supply and planning processes. This review, which was completed in February 2015, confirmed that the programme of incremental capacity expansion announced as part of our May 2014 full year results, together with ongoing actions to increase inventory held closer to our customers, will allow us to better manage customer needs. The additional capacity is expected to come on stream in the second half of the 2016 financial year as planned. The review also highlighted that improvements were required to operating and supply chain planning capabilities and to the robustness of internal planning processes. A programme to implement these improvements is progressing well and a number of actions are already in place. We will continue to execute these improvements during the course of the 2016 financial year.

## **SPLENDA<sup>®</sup> Sucralose**

Adjusted operating profit from SPLENDA<sup>®</sup> Sucralose for the year ended 31 March 2015 was £16 million, 73% lower than the prior year (2014 – £62 million). As a result of this significant deterioration in profitability, during the year we undertook a detailed analysis of this business to evaluate how best to maximise returns. This analysis found that, while demand for sucralose remains strong driven largely by consumer desire for more calorie-reduced food and drink and by the superior taste and functionality that sucralose delivers, a substantial increase in industry capacity, particularly over the past two years, had led to supply being well in excess of demand. This had caused industry behaviour and economics to change significantly and we do not expect this situation to change materially in the medium term.

Accordingly, on 21 April 2015, we announced our SPLENDA<sup>®</sup> Sucralose business would be re-focused in two ways. First, by taking a rigorous valued-based approach to securing volume by focusing on the areas where we see value with customers who fully value the benefits of our SPLENDA<sup>®</sup> Sucralose product including quality, provenance, food safety and responsible manufacturing and environmental practices. Secondly, by materially lowering the manufacturing cost base of the business by consolidating all production into our McIntosh, Alabama facility in the US from Spring 2016. After a phased transition over the next 12 months, the Singapore facility will close permanently. We expect to invest around £18 million to consolidate production in McIntosh. This mainly relates to the transfer of equipment from Singapore to McIntosh and for additional equipment at McIntosh to produce all our SPLENDA<sup>®</sup> Sucralose product forms. When the transfer is complete in Spring 2016, McIntosh will be capable of supplying our customers' existing and ongoing needs.

The Singapore facility has played an important role in establishing the prominent position of SPLENDA<sup>®</sup> Sucralose in the global high intensity sweetener market and has provided strong returns to investors over its life-cycle which have been well in excess of our cost of capital. However, the combined effect of lower market pricing and higher energy and other production costs at the location, led us to conclude that the facility will not be cost competitive going forward. The McIntosh facility operating at a higher scale and utilisation level than it does currently will provide a materially lower-cost manufacturing position from which to operate.

SPLENDA<sup>®</sup> Sucralose is an integral ingredient in many of our customers' products, and sucralose continues to be the most incorporated high intensity sweetener in new product launches globally. The fundamental changes we are making to how we approach the market and our manufacturing footprint will position SPLENDA<sup>®</sup> Sucralose as a more focused, low-cost and sustainable business. We expect this business to be around breakeven before the impact of exceptional items in the year ending 31 March 2016, with some anticipated transition costs offsetting a lower depreciation charge, and looking further ahead, we expect the business to return to modest profitability in the 2017 financial year.

## Re-alignment of the Eaststarch European joint venture

On 21 April 2015, we signed an agreement with Archer Daniels Midland Company (ADM) to re-align our Eaststarch C.V. (Eaststarch) joint venture corn wet milling business in Europe in which we each own a 50% equity share. Under the terms of the agreement, we will:

- Strengthen our Speciality Food Ingredients business by acquiring full ownership of the more speciality-focused plant in Slovakia;
- Substantially reduce our European Bulk Ingredients footprint by exiting the predominantly Bulk Ingredients plants in Bulgaria, Turkey and Hungary which will transfer to ADM;
- Receive a cash sum of €240 million at closing, subject to customary closing adjustments, including for net cash and working capital, and an additional payment of up to €20 million in 2019 conditional on future corn and sugar pricing;
- Continue to supply our European customers with crystalline fructose, a speciality sweetener, by being appointed as exclusive distributor for crystalline fructose produced from the plant in Turkey under a long-term agreement; and
- Focus our European business on Speciality Food Ingredients by appointing ADM as exclusive agent for Bulk Ingredients produced from the plant in Slovakia and Tate & Lyle's wholly-owned corn wet mill in The Netherlands under a long-term agreement.

Completion of the agreement is conditional upon regulatory clearances which we expect in summer 2015.

The reform of the EU Sugar Regime in October 2017 opens the way to greater competition between isoglucose and sugar in the EU that will bring with it the need for potentially significant capital investment in bulk sweeteners. Our strategy since 2010 has been to invest for growth in Speciality Food Ingredients and, therefore, the re-alignment of the joint venture enables us to realise good value from our European Bulk Ingredients' assets before a decision on capital investment is required.

In the year ended 31 March 2014, Eaststarch had adjusted operating profit of £107 million of which the Group has a 50% share. Due to lower EU sugar prices, the results of Eaststarch for the year ended 31 March 2015 were around 23% lower at £83 million.

Had the transaction taken effect from 1 April 2014, Group adjusted operating profit in the year ended 31 March 2015 would have been reduced by £32 million and diluted earnings per share would have been reduced by 5.5 pence. Depending on the timing of completion of the transaction and the final transition arrangements, we anticipate the reduction on Group earnings will be somewhat lower in the year ending 31 March 2016. We anticipate that, following the impact of re-structuring the European operations, from the start of the year ending 31 March 2017 the dilution in earnings as a result of the transaction will be around 3 pence per share.

The re-alignment of Eaststarch represents another important step in the evolution of Tate & Lyle into a global Speciality Food Ingredients business. The plant in Slovakia provides a solid base from which to grow our speciality food ingredients business in Europe, and we intend to increase the production of speciality food ingredients at the plant over time. As a result of the re-alignment, the proportion of Group adjusted operating profit from Speciality Food Ingredients (excluding SPLENDA<sup>®</sup> Sucralose) will increase from 47% to around 55%, and in Europe, Speciality Food Ingredients will effectively contribute all of the profit.



## **Reducing volatility in Bulk Ingredients**

Our strategy is to progressively re-position our Bulk Ingredients division to dampen volatility and create a more stable, cash generative business. The re-alignment of the Eaststarch joint venture, which will result in the Group substantially exiting bulk sweeteners in Europe and therefore reducing our exposure to volatility in the EU sugar market (which impacted our profits in the second half of the 2015 financial year), is fully in line with that strategy.

Following the re-alignment, Bulk Ingredients will become a predominantly North American business. In North America, Bulk Ingredients benefits from strong positions in mature but large markets such as bulk sweeteners and industrial starches, long-standing customer relationships and scale, efficient manufacturing assets. In the US, these manufacturing assets (corn wet mills) are integrated with the production of Speciality Food Ingredients and therefore also provide an efficient manufacturing base from which to support growth in that business.

North America also has structural advantages which enable better management of the volatility inherent in this business. For example, in the US, unlike in Europe, we have access to a corn futures market which allows us to hedge US corn exposures. In addition, we continue to proactively manage the business to dampen volatility where possible, such as by moving more customers in the US to tolling contracts which now represent around 75% of US bulk sweetener volumes. Increasing the number of toll customers helps to reduce the risk of underlying commodity movements.

## **Solid strategic progress in Speciality Food Ingredients**

While the financial performance of the Speciality Food Ingredients division during the year was held back by supply constraints and price erosion in SPLENDA<sup>®</sup> Sucralose, the underlying business and demand for our products remains strong, and we made good progress on a number of fronts.

We continue to build our technical expertise and infrastructure in the higher growth markets of Asia Pacific and Latin America, in which adjusted sales for the business excluding SPLENDA<sup>®</sup> Sucralose and Food Systems now represent 15% of total adjusted sales in Speciality Food Ingredients, up from 8% in 2011. Asia Pacific and Latin America (excluding Food Systems) now represent nearly 20% of the employees in Speciality Food Ingredients.

We executed two 'bolt-on' acquisitions in Asia Pacific and Latin America during the year. In August, we completed the acquisition of Winway Biotechnology Nantong Co., Ltd based in Nantong, China. Winway is a producer of polydextrose fibre in China and this acquisition provides a strong base from which to accelerate the growth of our dietary fibres business in Asia Pacific. In December, we acquired a majority equity interest in Gemacom Tech Indústria e Comércio S.A. (Gemacom), the leading domestically-owned food systems business in Brazil. During December, we paid £12m to terminate distribution rights previously held by a third party to sell our crystalline fructose to customers primarily in Asia Pacific. We continue to actively explore further opportunities, including acquisitions and partnerships, with a strong focus on Asia Pacific and Latin America.

## Robust innovation pipeline

Innovation is a key driver of long-term growth for Tate & Lyle. Our innovation approach starts with a deep understanding of the consumer and to ensure that changing consumer perceptions and trends influence the categories we operate in. Our understanding of these long term global consumer trends drives our innovation approach and priorities, such as the increasing demand for convenience food, a much greater focus on health and wellness particularly in light of the rising incidence of obesity and diabetes worldwide, and an increasing preference for 'natural' and 'clean label' foods. Our aim is to help consumers make healthier and tastier choices whenever they eat or drink and to deliver this we focus our resources and expertise in three main areas of market opportunity: calorie, sugar, salt and fat reduction; fibre enrichment; and 'clean label'. These are attractive spaces to operate in given growing strong consumer demand. For example, global product launches containing fibres between calendar years 2011 and 2014 increased by a compound annual growth rate (CAGR) of 33%, reflecting increased consumer awareness of the importance of fibre in diets.

During the year, we launched two major new products which directly address two of the consumer trends we are focusing on – calorie reduction and 'clean label'. Both these new products were developed at our three year-old global Commercial and Food Innovation Centre in Chicago, demonstrating the innovation capabilities we are steadily beginning to build.

In September, we launched our new CLARIA<sup>®</sup> line of functional clean-label starches. CLARIA<sup>®</sup> starches, developed through a proprietary patent-pending process, provide food manufacturers with functionality similar to modified food starches but with the benefits of a cleaner colour, a cleaner taste, and a 'clean label' (i.e. they label simply as 'starch').

Then, in February, we launched DOLCIA PRIMA<sup>™</sup> Allulose, a low-calorie sugar, in the US. DOLCIA PRIMA<sup>™</sup> is our brand name for allulose, a sugar that exists in nature but has 90% fewer calories than sucrose (table sugar). To produce allulose, we developed a unique, patent-protected process to convert basic agricultural raw materials (currently corn in the US) into allulose. DOLCIA PRIMA<sup>™</sup> is expected to allow food and beverage manufacturers to significantly reduce the calories in products while maintaining the same great taste and texture of sugar which consumers enjoy.

Both these new product launches have attracted strong customer interest reflecting the health and wellness benefits they bring to consumers and their relevance to our customers' development priorities. A range of projects with customers are underway giving us confidence in their long term potential.

New products, although still relatively small, are growing strongly with an 86% volume compound annual growth rate between the 2011 and 2015 financial years, and volume in the 2015 financial year almost double the prior year. The pipeline remains robust with a number of projects at various stages of development including four in the final stages with expected launches in the next 12-24 months.

## **Strengthening the executive management team**

The senior leadership team was substantially strengthened during the year with the objective of leading the Group into the next stage of its development. During the year, the following appointments were made to the Group Executive Committee:

- i) Gabriella Parisse was appointed President, Innovation and Commercial Development from 1 May 2014. Gabriella joined Tate & Lyle in September 2012 as Senior Vice President, Global Marketing, having previously spent 25 years at Johnson & Johnson.
- ii) Nick Hampton was appointed Chief Financial Officer (and a member of the Board of Directors) from 1 September 2014. Nick joined Tate & Lyle from PepsiCo where he worked for 20 years.
- iii) Joan Braca was appointed President, Speciality Food Ingredients on 1 November 2014. Joan joined Tate & Lyle in January 2013 as Senior Vice President & General Manager, Asia Pacific, Speciality Food Ingredients. Prior to joining Tate & Lyle, Joan spent nearly 20 years in the speciality chemicals industry mainly with Rohm and Haas (part of the Dow Chemical since 2009).
- iv) Rowan Adams was appointed Executive Vice President, Corporate Affairs from 13 November 2014 with global responsibility for communications and risk management. Rowan joined Tate & Lyle from National Westminster Bank in 2001.
- v) Pierre Schoumacher was appointed President of the newly formed Global Operations unit from 13 November 2014 with responsibility for activities from raw material procurement through to manufacturing, supply chain and logistics. Pierre joined Tate & Lyle from Procter & Gamble in 2000.
- vi) Jim Stutelberg joined Tate & Lyle on 1 December 2014 and was appointed President, Bulk Ingredients. Jim joined from PPG Industries where he led its Automotive Coatings business. Prior to that, he spent 13 years with Dow Corning.

## **Delivering a global IS/IT system**

In August, we successfully rolled out our single, global IS/IT system to our North American business. This followed the upgrade of this system in our European business (not including the Food Systems business) in May. We are now focused on fully embedding the new processes and systems.

## **Conclusion**

The long-term transformation of Tate & Lyle continues to be a major undertaking with nearly all areas of the global business impacted in some way. Infrastructure, systems, processes and the organisation have all been materially changed. In some areas such as innovation, our customer-facing capabilities, our presence in Asia Pacific and Latin America, and the strength of our people, we have made very good progress. In others, such as our global supply chain, we have faced major challenges and work is underway to address these. I would like to thank all employees across Tate & Lyle for their continued hard work and dedication during what has been a challenging year.

While our financial performance in the year has been disappointing, the underlying business and demand for our products remains strong. With a portfolio of products with strong market positions, an expanding global footprint, and a steady flow of new products targeted at addressing major consumer trends, particularly in the health and wellness space, our Speciality Food Ingredients business is structurally well-positioned for the future.

By re-aligning the Eaststarch joint venture, Bulk Ingredients will reduce its exposure to volatility in the form of European sugar price fluctuations, and become a predominantly North American business with strong market positions and scale, efficient assets. These assets also provide a low cost manufacturing base from which to support continuing growth in Speciality Food Ingredients.

We are firmly focused on improving our performance and continuing the evolution of Tate & Lyle into a global Speciality Food Ingredients business supported by cash generated from Bulk Ingredients. As we enter the new financial year, we believe Tate & Lyle is a more streamlined, focused and higher quality business, capable of generating sustained growth over the long term.

## Speciality Food Ingredients

	Year ended 31 March		Change	
	2015 £m	2014 £m	Reported	Constant currency
<b>Adjusted sales</b>	<b>908</b>	983	(8)%	(4)%
<b>Adjusted operating profit</b>	<b>149</b>	213	(30)%	(29)%
<b>Adjusted operating margin</b>	<b>16.4%</b>	21.7%	(5.3)ppts	

### Market conditions and trends

The global market for speciality food ingredients is worth around US\$42 billion<sup>1</sup>, approximately half of which we currently address. The areas of the market where we compete continue to benefit from strong underlying global consumer trends including convenience, health and wellness, natural and 'clean label'.

Changes in consumer lifestyles have increased the demand for packaged and convenience foods, for consumption both at home and 'on the go'. In the 2014 calendar year, product launches with a 'convenient' claim were nearly 50% higher than three years previously<sup>2</sup>. Convenience products are also increasingly catering to consumer demands for healthier foods, with 77% of global convenience product launches in 2014 also making a 'health and wellness' claim<sup>2</sup>. Demand for convenience is a global trend, with demand growing in developed markets, as well as in developing markets with increasing urbanisation and associated life style changes. Convenience foods are a key driver for speciality food ingredients that provide functionality such as stability, texture and extended shelf-life.

The rising incidence of diabetes and obesity in both developed and developing markets is one of a number of global health concerns driving both consumers and governments to focus on the link between diet and health. In response to heightening consumer awareness, manufacturers are responding to the demand for 'healthier' products. In addition to products which address sugar, calorie and weight management, consumers are also increasingly seeking solutions for digestive health, including fibre-enhanced products, and for heart health including lower sodium products.

In response to increasing consumer demand for more natural products across a wide range of categories, and to concerns around the provenance of finished and unfinished goods, and ingredient labelling, food and beverage manufacturers are launching more 'clean label' products. Around 25% of all new products launched globally in 2014 were positioned as label-friendly<sup>3</sup>.

Against the backdrop of continuing challenging macroeconomic conditions in many countries and tighter household budgets, cost optimisation also continues to be a theme with food and beverage customers looking at ways to reduce costs and provide more value-based alternatives for consumers without compromising taste.

Our Speciality Food Ingredients business, with its deep technical expertise and portfolio of sweetener, texturising and health and wellness products, supplemented by new products launched from the innovation pipeline, is well-placed to benefit from these global consumer trends.

<sup>1</sup> Source: Leatherhead; LMC International; Company analysis; data as at 2013

<sup>2</sup> Source: Innova Market Insights. Definition: product launches that have at least one of these claims – convenient consumption, ,easy-to-prepare, ready prepared, time saving

<sup>3</sup> Source: Innova Market Insights. Definition: Product launches claiming no additives/preservatives, natural, organic, and/or without genetically modified organisms (non GMO).

## Financial performance

Within Speciality Food Ingredients, volumes grew by 2%. Although constrained by the impact of supply chain disruption, we delivered volume growth in all regions except North America. We estimate supply chain disruption impacted volume growth by approximately three to four percentage points. Adjusted sales decreased by 8% (4% lower in constant currency) to £908 million (2014 – £983 million) reflecting the pass through of lower corn prices and the lower prices for SPLENDA® Sucralose.

Adjusted operating profit was lower than the prior year (down 29% in constant currency) at £149 million (2014 – £213 million) mainly as a result of lower selling prices for SPLENDA® Sucralose and the impact of supply chain disruption. The prior year also included the majority of the £6 million one-off gain from the purchase, sale and leaseback of our building in Hoffman Estates, Illinois, and £7 million representing the final annual payment received from McNeil Nutritionals as part of the re-alignment of the sucralose business in 2004. The effect of currency translation was to decrease adjusted operating profit by £5 million.

Volume from new products nearly doubled in the year and adjusted sales reached £43 million or around 5% of total adjusted sales for the Speciality Food Ingredients division.

This division comprises three broad product categories: starch-based speciality ingredients, high intensity sweeteners, and Food Systems.

### Starch-based speciality ingredients

In starch-based speciality ingredients, adjusted sales decreased by 5% (3% in constant currency) to £562 million (2014 – £595 million). Volumes increased by 1% despite supply constraints, with strong growth in Asia Pacific and particularly strong demand for texturants. The lower value of sales reflects the impact of passing through the significantly lower corn prices following the record 2013/14 corn crop.

In food starches we saw overall volume growth, with strong growth in Asia Pacific, particularly in dairy applications, and broad-based European growth offset by North America where volume was particularly constrained.

In speciality corn sweeteners, volume was lower due to supply constraints. We saw good growth in Asia Pacific, where our business also benefited from the decision in December to terminate distribution rights previously held by a third party to sell our crystalline fructose primarily in the region. Volume for fibres was slightly lower than the comparative period due to supply constraints.

During the year, we completed the acquisition of Winway Biotechnology Nantong Co., Ltd. a polydextrose fibre business in China. We also launched two major new products – the new CLARIA® line of functional clean-label starches and DOLCIA PRIMA™ Allulose, a low-calorie sugar.

### High intensity sweeteners

Adjusted sales in this product category, which comprises SPLENDA® Sucralose and our no-calorie natural sweeteners, were 18% lower than the prior year (15% lower in constant currency) at £162 million (2014 – £198 million) driven primarily by SPLENDA® Sucralose price declines. Volumes were 1% higher.

## Food Systems

Adjusted sales were 3% lower than the prior year (4% higher in constant currency) at £184 million (2014 – £190 million), with volumes 15% higher. In December, we acquired a majority equity interest in Gemacom, the leading domestically-owned Food Systems business in Brazil, thereby adding to our food systems presence in the higher growth Latin American region. Excluding Gemacom, and on a constant currency basis, adjusted sales and profit were in line with the prior year, with the business continuing to benefit from the decision taken two years ago to focus on higher margin blends.

## Bulk Ingredients

	Year ended 31 March		Change	
	2015 £m	2014 £m	Reported	Constant currency
<b>Adjusted sales</b>	<b>1,786</b>	2,164	(17)%	(14)%
<b>Adjusted operating profit</b>	<b>133</b>	172	(23)%	(19)%
<b>Adjusted operating margin</b>	<b>7.4%</b>	7.9%	(0.5)ppts	

## Market conditions and trends

The 2014/15 corn harvest in the US delivered a record crop with production slightly higher than the previous harvest which itself was a record crop. The stocks-to-use ratio remains healthy at around 13%. As a result, US corn prices trended lower through the first half, and market prices were low at an average of about \$4 a bushel in the second half. The latest production estimate for the 2015/16 corn harvest from the USDA<sup>4</sup> is 13.6 billion bushels or 4% lower than the previous year. However, corn supplies in 2015/16 are projected at a record 15.5 billion bushels, up slightly from the previous year, as higher opening stocks more than offset lower production.

Demand in the US for regular carbonated soft drinks, a key end-market for high fructose corn syrup (HFCS), recovered in summer 2014 following weak demand in the prior year. In the three-month period to end June 2014, regular carbonated soft drinks sales in the US grew by 1.4%<sup>5</sup> against the weaker comparative period, with sales volume over the full year 0.1% higher. However, the prolonged and severe 2013/14 US winter caused operational and supply chain challenges across the industry through the first half of the 2014 calendar year which, when combined with relatively firmer beverage demand, led to tight supply of bulk sweeteners. Despite the more stable demand in the 2015 calendar year, we continue to regard the US market for regular carbonated soft drinks to be in gradual, long-term structural decline.

Low Mexican sugar prices and the introduction, in January 2014, of calorie consumption taxes resulted in a 6%<sup>6</sup> volume reduction in exports of US HFCS to Mexico in the 2014 calendar year.

Sugar prices in Europe, which provide a reference price for our European bulk sweeteners, declined markedly reflecting volatile market conditions in anticipation of the reform of the EU Sugar Regime in October 2017.

The North American paper industry, a key source of demand for industrial starches, experienced healthy utilisation rates with a continued decline in printing and writing paper demand offset by growth in packaging and tissue. In Europe, whilst additional starch capacity, particularly from wheat plants, entered the market, a robust packaging sector helped mitigate this impact.

Conditions in the US ethanol industry deteriorated sharply in the second half of the financial year on the back of US ethanol inventories rising to a three-year high towards the end of the 2015 financial year, and lower retail gasoline prices.

Two consecutive strong corn crops in the US have led to a healthy supply situation. During the first half, as the strength of the 2014/15 harvest became more evident, prices for co-products fell, with corn gluten

<sup>4</sup> USDA is the US Department of Agriculture

<sup>5</sup> Source: IRI Infoscan Reviews, Total US Multi-Outlet+ Convenience (FDM, WMT, Dollar Club, Convenience Stores)

<sup>6</sup> Source: US Census Bureau, HTS Export data



meal and corn gluten feed both ending the first half at significantly lower prices. During the second half, prices were more stable.

## **Financial performance**

Adjusted sales were 17% lower (14% lower in constant currency) at £1,786 million (2014 – £2,164 million) largely due to the pass through of the lower corn prices. Volumes decreased by 2%. Adjusted operating profit was 23% lower (19% lower in constant currency) at £133 million (2014 – £172 million) as a result of supply chain issues caused by the unusually prolonged and severe 2013/2014 winter in the US and lower EU sugar prices which affected bulk sweetener prices in Europe. We were also impacted by capacity constraints in the wider US transportation network. The prior year also included a one-off gain of £3.5 million from the on-sale of Orsan China (a monosodium glutamate producer in which Tate & Lyle previously held a stake and which was sold in 2009). The effect of currency translation was to decrease adjusted operating profit by £7 million.

This division comprises three product categories: bulk sweeteners; industrial starches, acidulants and ethanol; and co-products.

### Bulk Sweeteners

In the Americas, bulk corn sweetener volumes decreased by 2%. This was due to supply constraints driven by the unusually prolonged and severe 2013/2014 winter in the US which caused operational difficulties in our US plants and led us to enter the 2015 financial year with much lower inventories than usual. Adjusted sales decreased by 20% (down 17% in constant currency) to £711 million (2014 – £889 million) as a result of the lower volumes and the significant reduction in corn prices following the record corn crop. The supply constraints resulted in profits well below the prior year. We have increased tolling contracts to around 75% of US corn sweetener volumes as another vehicle to dampen volatility. Contracts in the 2015 calendar year pricing round for the remaining 25% of corn sweetener volumes were renewed at higher unit margins.

Operating profits from Almex, our Mexican joint venture, were lower than the comparative period reflecting reduced volumes and lower margins as a result of greater competition from Mexican sugar.

In Europe, bulk corn sweetener volumes increased by 3% while adjusted sales declined by 19% (11% in constant currency) to £120 million (2014 – £148 million), as lower EU sugar pricing (which sets the reference price for isoglucose in Europe) and the pass through of lower EU corn prices impacted sales. Profits for the year were below the prior year due to the impact of lower EU sugar pricing in the second half.

### Industrial starches, acidulants and ethanol

Adjusted sales were 14% lower than the comparative period (down 12% in constant currency) at £543 million (2014 – £635 million).

In industrial starches, volumes were 3% lower. In the US, where we contract for longer periods than in Europe, profit was ahead of the prior year as a result of firmer pricing and favourable product mix, more than offsetting lower volumes. In Europe, lower volumes, reflecting the continued diversification of capacity to Speciality Food Ingredients along with the pricing pressure from increased industry capacity, drove a decrease in profits. This business remains particularly sensitive to changes in the macroeconomic environment.

Profit in our citric acid business was lower than the prior year, with reduced volumes partially mitigated by higher selling prices. The performance of our Bio-PDO™ joint venture improved in the year as a result of slightly higher volumes and lower corn costs.

In US ethanol, the sharp deterioration in margins reduced profits in the second half of the year largely offsetting improved market conditions and a stronger profit performance earlier in the year. Overall performance for the year was somewhat stronger than the prior year.

### Co-products

Sales of co-products decreased by 16% (13% in constant currency) to £412 million (2014 – £492 million). Overall returns on co-products were broadly in line with our expectations at the start of the year.

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## **New supplementary disclosure framework and pro-forma adjustment for Eaststarch re-alignment**

To provide more details on our business performance, in addition to the segmental disclosure required under IFRS (which remains unchanged), and given the evolving nature of the business including the changes announced in April, we intend to disclose additional information regarding the performance within our operating segments. We believe the revised approach will provide a clearer understanding of the drivers of performance; better highlight the impact of commodity volatility on performance; and drive a greater understanding of the sustainable growth potential of the business.

For Speciality Food Ingredients, we will disclose our business through the major components of SPLENDA® Sucralose, our full Food Systems business and the rest of the business. For these, we will disclose volume growth as a percentage, adjusted sales in millions of pounds, and adjusted operating profit in £ millions. We will provide additional information on the geographical split of the business excluding Food Systems and SPLENDA® Sucralose, specifically North America, the combination of Asia Pacific and Latin America, and Europe, Middle East and Africa (EMEA). For these geographic regions we will disclose volume growth as a percentage and adjusted sales in £ millions. On the same basis, to provide greater insight into the progress we are making on innovation, we will also disclose innovation-related growth within Speciality Food Ingredients.

For Bulk Ingredients, we will disclose the performance of the division as a single segment, but also provide volume growth for the key North American bulk sweetener and North American industrial starches businesses as we believe volume growth rather than sales value is the key metric for the business, with sales values being clouded by the pass through of corn costs. We also want to give greater insight into the impact that commodities volatility has on this business. We aim to dampen volatility in Bulk Ingredients wherever we can. We actively do this through raw material hedging, the use of tolling contracts and decisions on forward co-product sale commitments. As a result, for most of our business we are generally able to generate solid cash flows. However, there are some parts of the business, mainly in ethanol and co-product pricing, where our ability to dampen volatility is limited and no viable hedging options exist. While we expect conditions in the commodity markets will vary from year to year, for these commodities our approach will continue to be to plan for a normal year, and we will provide guidance as the year progresses on the expected impact of these commodities on the performance of Bulk Ingredients.

In the new supplementary disclosure framework information for the year ended 31 March 2015, which is presented on a pro-forma basis, Group adjusted sales and adjusted operating profit have been reduced by £101 million and £32 million respectively to reflect the pro-forma impact of re-alignment of the Eaststarch European joint venture, assuming that the transaction had taken effect from 1 April 2014.

**Pro-forma financial information<sup>1</sup> (unaudited)****Year ended 31 March 2015**

	Volume Growth %	Adjusted Sales £m	Adjusted operating profit £m
<b>Speciality Food Ingredients</b>			
North America	(2)%	317	
Asia Pacific and Latin America	5%	140	
EMEA	7%	133	
Total excluding SLENDA <sup>®</sup> Sucralose and Food Systems	1%	590	108
Food Systems <sup>2</sup>	15%	190	27
SLENDA <sup>®</sup> Sucralose	1%	148	16
Total Speciality Food Ingredients	2%	928	151

In the year ended 31 March 2015 volume of Innovation products grew by 98% and adjusted sales were £43m which are also included in Speciality Food Ingredients proforma information above. Reflecting the time taken to commercialise new products for the food and beverage industry, Innovation includes the results of new products in their first seven years after launch.

**Pro-forma financial information<sup>1</sup> (unaudited)****Year ended 31 March 2015**

	Volume Growth %	Adjusted Sales £m	Adjusted operating profit £m
<b>Bulk Ingredients</b>			
North American Bulk Sweeteners	(1)%		
North American Industrial Starches	(2)%		
Total Bulk Ingredients	(3)%	1,665	99

**Pro-forma financial information<sup>1</sup> (unaudited)****Year ended 31 March 2015**

	£m
Adjusted operating profit	215
Adjusted net finance expense	(22)
<b>Adjusted profit before tax</b>	<b>193</b>
Adjusted Diluted earnings per share (pence)	32.2p

The pro-forma results for the year ended 31 March 2015 above, including the adjusted profit before tax of £193 million, assume the transaction to re-align Eaststarch had taken effect from 1 April 2014. Looking forward, and to provide a direct and consistent pro-forma comparative for the year ending 31 March 2016, adjustment to the pro-forma 31 March 2015 adjusted profit before tax is required to align foreign exchange rates and to include profits for the first quarter to 30 June (reflecting a modelling assumption that the Eaststarch transaction will complete on that date). Taking these items into account the adjusted profit before tax for the year ended 31 March 2015 on a consistent basis becomes £208 million<sup>3</sup>, having increased pro-forma profit by £7 million to align to prevailing foreign exchange rates and by adding back £8 million to reflect the first quarter's results of Eaststarch.

<sup>1</sup> Pro-forma assuming the transaction to re-align Eaststarch had taken effect from 1 April 2014

<sup>2</sup> Includes £6m sales of some non-blended products through the Food Systems organisation

<sup>3</sup> Assumes forecast foreign exchange rate of GBP:USD £1.00:\$1.54 and completion of the transaction on 30 June 2014

## Summary of financial results for the year ended 31 March 2015 (audited)

Year ended 31 March	2015 £m	Restated* 2014 £m	Change (reported)	Change (constant currency)
<b>Continuing operations</b>				
Adjusted sales	<b>2 694</b>	3 147	(14%)	(11%)
Adjusted operating profit	<b>247</b>	349	(29%)	(27%)
Adjusted net finance expense	<b>(23)</b>	(27)		
Adjusted profit before tax	<b>224</b>	322	(30%)	(28%)
Exceptional items	<b>(142)</b>	(14)		
Amortisation of acquired intangible assets	<b>(9)</b>	(10)		
Net retirement benefit interest	<b>(8)</b>	(8)		
Share of tax of joint ventures and associates	<b>(14)</b>	(13)		
Profit before tax	<b>51</b>	277	(82%)	(81%)
Income tax expense	<b>(21)</b>	(32)		
Profit for the year from continuing operations	<b>30</b>	245	(88%)	(87%)
Profit for the year from discontinued operations	<b>–</b>	28		
Profit for the year	<b>30</b>	273	(89%)	(88%)
<b>Earnings per share – continuing operations (pence)</b>				
Basic	<b>6.6p</b>	52.8p		
Diluted	<b>6.5p</b>	52.1p	(88%)	(87%)
<b>Adjusted earnings per share – continuing operations (pence)</b>				
Basic	<b>38.0p</b>	56.5p		
Diluted	<b>37.7p</b>	55.7p	(32%)	(29%)
<b>Dividends per share</b>				
Interim paid	<b>8.2p</b>	7.8p	5.1%	
Final proposed	<b>19.8p</b>	19.8p	0%	
	<b>28.0p</b>	27.6p	1.4%	
<b>Net debt</b>				
At 31 March	<b>504</b>	353		

\* Restated for the adoption of IFRS 11 'Joint Arrangements'

Adjusted sales from continuing operations of £2,694 million (2014 – £3,147 million) were 14% lower than the prior year (11% in constant currency). Sales in Speciality Food Ingredients decreased by 8% (4% in constant currency) to £908 million (2014 – £983 million), with volumes increasing by 2%. Sales in Bulk Ingredients decreased by 17% (14% in constant currency) to £1,786 million (2014 – £2,164 million), with volumes 2% lower.

Adjusted operating profit decreased by 29% (27% in constant currency) to £247 million (2014 – £349 million). In Speciality Food Ingredients, adjusted operating profit was 30% lower (down 29% in constant currency) than the prior year at £149 million (2014 – £213 million). Bulk Ingredients adjusted operating profit decreased by 23% (19% in constant currency) to £133 million (2014 – £172 million).

Five key factors have combined to reduce adjusted operating profit by £97 million in this financial year. Firstly, on a constant currency basis, the adjusted operating profit of our SPLENDA® Sucralose business was lower by £43 million due principally to price erosion in an extremely competitive market. The second significant factor was the impact of the operational and supply chain disruption which led to costs totalling around £20 million in the year. These costs exclude the impact of lost sales which constrained volume growth in Speciality Food Ingredients in the year by approximately three to four percentage points. Thirdly, adjusted operating profit in our Bulk Ingredients business in Europe was £13 million lower than the previous financial year as pricing for EU sugar, which provides the reference price for isoglucose in Europe fell, and the 2014 financial year included a one-off gain from the on-sale of Orsan China, a business in which we previously held a stake and which was sold in 2009. In addition, adjusted operating profit for the year ended 31 March 2014 included a number of one off gains totalling of £9 million, the largest item of which was the profit of £6 million on the purchase, sale and leaseback of our Hoffman Estates building in Chicago. Finally, foreign exchange translation also reduced adjusted operating profit by £12 million.

Adjusted net finance expense (excluding net retirement benefit interest) decreased from £27 million to £23 million following the repayment of our \$500 million bond in November 2014.

Adjusted profit before tax was 30% lower (28% in constant currency) than last year decreasing from £322 million in 2014, to £224 million in 2015. Adjusted diluted earnings per share decreased by 32% (29% in constant currency) to 37.7p (2014 – 55.7p).

On a statutory basis, profit before tax from continuing operations decreased by 82% (down 81% in constant currency) to £51 million (2014 – £277 million) and reflects £142 million of exceptional costs, primarily the £113 million impairment charge in respect of the Singapore sucralose plant. Profit for the year from total operations decreased to £30 million (2014 – £273 million), with the prior period benefiting from an exceptional income tax credit of £28 million following the favourable resolution of outstanding tax matters in Spain.

### **Central costs**

Central costs, which include head office, treasury and reinsurance activities, decreased by £1 million to £35 million. One off costs in the first half of the 2015 financial year (primarily driven by captive insurance costs relating to the impact of the Singapore extended shutdown) were offset by lower share based payments charges.

## **Exceptional items from continuing operations**

During the year the Group recognised an exceptional charge of £142 million, comprising £12 million of business transformation costs associated with completing the implementation of the common global IS/IT system; £12 million to terminate distribution rights previously held by a third party to sell our crystalline fructose to customers primarily in Asia Pacific; and £118 million of costs associated with the business realignment exercise announced on 21 April 2015. Further detail can be found in Note 4 of the attached financial information.

## **Net finance expense**

After excluding net retirement benefit interest, adjusted net finance expense from continuing operations decreased to £23 million (2014 – £27 million) with a reduction in underlying net interest expense following the repayment of our \$500 million bond in November 2014.

## **Taxation**

Our tax policy is to manage our obligations in compliance with all relevant tax laws, disclosure requirements and regulations. We seek to ensure that our approach to tax and the tax payments we make in all territories in which we have operations are fully consistent with local requirements, taking into account available tax incentives and allowances, and are aligned with the Group's wider business strategy.

We seek to develop good, open working relationships with tax authorities and to engage with them proactively, recognising that tax legislation can be complex and may be subject to differing interpretations. In instances where this might arise, we seek to engage with the relevant tax authorities in open discussion of any such differences as early as possible to remove uncertainty and obtain resolution.

Tate & Lyle's tax strategy and the management of tax risk is primarily the responsibility of the Chief Financial Officer and the Vice President, Group Tax and it is reviewed by the Board and the Audit Committee to ensure responsible tax practices are maintained across the Group's businesses.

Our tax rate is sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions such as the US, nil effective rates in Singapore (due to pioneer status which we were granted in 2008 to reflect our investment in innovative technology) and the UK, and rates that lie somewhere in between for example, in certain East European countries. The adjusted effective tax rate for the year increased to 21.2% (2014 – 18.5%), driven by the geographic mix in profits shifting away from lower tax jurisdictions, notably Singapore, partially offset by the settlement of some outstanding tax issues in the year which benefited the headline rate by around 100 basis points. As a result of the continued shift in geographic mix of our profits, we anticipate that the effective tax rate in the 2016 financial year will be slightly above the underlying 2015 rate.

Our UK earnings are now relatively small following the sale of our legacy sugars and molasses businesses. Less than 1% of our total group sales (2015: £21 million) are derived from UK operations which are offset by our corporate costs, primarily the interest we pay on our borrowings. As a result, we pay no corporation tax in the UK.

## **Discontinued operations and legacy issues**

The Group did not report any operations as being discontinued during the year ended 31 March 2015. Continuing operations include the results of Eaststarch which is not treated as a discontinued operation for the financial year ended 31 March 2015. During the year ended 31 March 2014, the Group recognised a non-cash exceptional income tax credit of £28 million following the favourable resolution of outstanding tax matters associated with the starch facilities which formed part of the Group's former Food & Industrial Ingredients, Europe segment.

## **Earnings per share**

Adjusted diluted earnings per share from continuing operations at 37.7p (2014 – 55.7p) were 32% lower (29% in constant currency). Adjusted basic earnings per share from continuing operations decreased by 33% (down 30% in constant currency) to 38.0p. Total basic earnings per share decreased to 6.6p (2014 – 58.8p).

## **Dividend**

The Board recognises the importance of dividends to shareholders and remains committed to the dividend policy it implemented in 2009. Underpinned by the confidence it has in the strategy of the business, the Board intends to recommend an unchanged final dividend of 19.8p (2014 – 19.8p) making a full-year dividend of 28.0p (2014 – 27.6p) per share, an increase of 1.4% on the prior year. Subject to shareholder approval, the proposed final dividend will be due and payable on 31 July 2015 to all shareholders on the Register of Members on 3 July 2015. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan (DRIP) alternative.

## **Assets**

Gross assets of £2,423 million at 31 March 2015 were £45 million lower than the prior year on a statutory basis, with capital expenditure above depreciation and the positive impact of the strengthening US dollar more than offset by lower levels of cash and cash equivalents and the impairment of the Singapore sucralose facility. Net assets decreased by £114 million to £936 million, with profits generated in the year being more than offset by dividend payments and share repurchases.

## **Retirement benefits**

We maintain pension plans for our employees in a number of countries. Some of these arrangements are defined pension schemes and, although we have now closed the main UK scheme and the US salaried and hourly paid schemes to future accrual at most locations, certain obligations remain. In the US, we also provide medical benefits as part of the retirement package.

The net deficit on our retirement benefit and health plans increased by £7 million to £227 million (2014 – £220 million): the net deficit on the Group's pension plans decreased by £8 million; and the liabilities associated with unfunded retirement medical plans in the US increased by £15 million.

The main UK pension scheme showed a reduction in liability of £52 million where the impact of a lower discount rate was more than off-set by the return on assets and Company cash contributions. The liability associated with the main US pension plans increased by £42 million with the impact of the longer mortality assumptions and lower discount rate partially off-set by the return on assets and Company contributions.

Other plan liabilities increased by £2 million.

The liabilities associated with unfunded retirement medical plans in the US increased by £15 million to £69 million (2014 - £54 million) due to the adverse effect of exchange translation (£6 million), and a decrease in the applicable discount rate and higher claims experience (£9 million).

Employer contributions in respect of pension and post retirement schemes totalled £52 million (2014 - £47 million), comprising £28 million in respect of the main UK scheme, £1 million in respect of the other UK schemes, £19 million in respect of US pension schemes and £4 million in respect of US retirement medical plans.

As previously announced, the funding arrangements in connection with the 31 March 2013 actuarial valuation for the main UK scheme were agreed with the Scheme Trustee during the year. Under the new arrangements core funding contributions remain at £12 million per year. A new secured funding account was established, whereby supplementary contributions of £6 million per year will be made during the first six years, payable to the Trustee on certain triggering events such as under-performance of the Scheme's investments or a deterioration in the strength of Tate & Lyle PLC's financial covenant. The first two annual payments amounting to £12 million were credited to the secured funding account upon its establishment in October 2014 and have been accounted for as additional contributions to the Scheme in the second half of the year.

### **Net Debt**

Net debt increased to £504 million (2014 - £353 million). Adjusted free cash flow from continuing businesses of £66 million was off-set by dividend payments of £130 million and the repurchase of ordinary shares to satisfy the Group's share option schemes. An adverse exchange rate impact increased net debt by £46 million (including £7 million from joint ventures) principally as a result of the stronger US dollar. During the year, net debt peaked at £567 million in January 2015 reflecting the normal seasonal increase in payments to farmers in the US. The average net debt was £404 million, an increase of £32 million from £372 million in the prior year.



## Cash Flow

Adjusted operating cash flow from continuing operations was £279 million (2014 - £440 million). Working capital was broadly flat in the 2015 financial year, as higher inventories (driven by an increase in finished goods) and higher receivables were broadly offset by higher payables. The cash flow impact from the Group's retirement benefit plans amounted to £47 million (2014 - £43 million).

	Year ended 31 March	
	2015	2014
	£m	£m
<b>Adjusted operating profit from continuing operations</b>	<b>247</b>	349
Adjustments for:		
Depreciation and amortisation	113	108
Share-based payments charge	–	8
Other non-cash items	–	(6)
Cash expenditure on exceptional items	(29)	(14)
Changes in working capital	(5)	38
Net retirement benefit obligations	(47)	(43)
<b>Adjusted operating cash flow</b>	<b>279</b>	440
Capital expenditure	(166)	(159)
<b>Adjusted operating cash flow less capital expenditure</b>	<b>113</b>	281
Net interest and tax paid	(47)	(54)
<b>Adjusted free cash flow</b>	<b>66</b>	227

Capital expenditure of £166 million, which included a £34 million investment in intangible assets, was 1.5 times the depreciation and amortisation charge of £113 million. Net interest paid decreased by £2 million to £29 million principally as a result of the repayment of our \$500 million bond in November 2014. Net income tax payments were £18 million (2014 - £23 million).

Adjusted free cash inflow (representing cash generated from continuing operations after working capital, interest, taxation, and capital expenditure) at £66 million was £161 million lower than the prior year largely as a result of lower earnings and working capital (£5 million outflow from working capital versus a £38 million inflow in the prior year).

During the year we spent £12 million on the repurchase of ordinary shares to satisfy obligations under share option schemes. Parent company cash dividends paid were £130 million, £6 million higher than the prior year.

## Post balance sheet events

On 21 April 2015, the Group announced a major business re-alignment to further focus on and strengthen our Speciality Food Ingredients Segment. The re-alignment includes the re-structuring of our Eaststarch European joint venture and steps to re-focus and re-structure our SPLENDA® Sucralose business. Further details and pro-forma financial information can be found on page 56 of this statement.

## Basis of preparation

At the beginning of the year, the Group adopted IFRS 11 'Joint Arrangements'. While not affecting the Group's profit for the year or net assets, the adoption has affected a number of the individual line items disclosed in the Group's financial statements. Previously, the Group had accounted for interest in joint ventures on a proportionate consolidation basis, whereby the Group's share of the income and expenses, assets and liabilities and cash flows of joint ventures was combined on a line-by-line basis with those of Tate & Lyle PLC and its subsidiaries. IFRS 11 prohibits the use of proportionate consolidation and requires that joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, the Group's share of the after-tax profits and losses of the joint ventures is shown on a single line of the consolidated income statement; its share of their net assets is shown on one line of the consolidated statement of financial position; and the consolidated statement of cash flows reflects cash flows between the Group and the joint ventures within cash flows from investing activities. Trading balances with joint ventures and associates are included within current payables or receivables. Accordingly, the Group has restated comparative financial information where appropriate. The Group also adopted IFRS 12 'Disclosures of Interests in Other Entities' at the beginning of the year, which stipulates enhanced disclosure requirements for non-controlling interests, joint ventures, and associates. Enhanced disclosure of the Group's joint venture holdings and associates can be found in the Annual Report for the year ended 31 March 2015. There are no material non-controlling interests in the Group.

With the exception of the changes arising from the adoption of IFRS 11 and IFRS 12 the Group's principal accounting policies are unchanged compared with the year ended 31 March 2014.

### Adjusted performance measures

We report adjusted performance measures because they provide both management and investors with valuable additional information on the performance of the business. The Group has presented adjusted financial information on a proportionate consolidation basis, as this reflects the management of its joint ventures on an integrated basis with the Group's subsidiaries, and the basis upon which management information is reported to the Board (the designated Chief Operating Decision Maker). Accordingly, performance measures such as adjusted sales, adjusted operating profit, adjusted profit before tax and adjusted diluted earnings per share are unaffected by the adoption of IFRS 11.

In addition to the adjustment for proportionate consolidation, the following items are excluded from these adjusted measures:

- Exceptional items (Note 4)
- Amortisation of intangible assets acquired through business combinations
- Net retirement benefit interest (Note 5)
- Tax on the adjusting items (Note 6)
- Results of discontinued operations (Note 7)

This adjusted information is used internally for analysing the performance of the business. A reconciliation of reported and adjusted information is included in Note 18.

## Impact of changes in exchange rates

In comparison to the prior year, the Group's reported financial performance was adversely affected by currency translation. A weakening of the average US dollar and euro exchange rates against sterling has reduced profits. The movement in period-end exchange rates, particularly the strengthening US dollar, led to an increase in net debt as a result of the translation of dollar-denominated debt. The average and closing exchange rates used to translate reported results were as follows:

	Average rates		Closing rates	
	2015	2014	2015	2014
US dollar : sterling	1.61	1.59	1.49	1.67
Euro : sterling	1.28	1.19	1.38	1.21

## CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Continuing operations</b>			
Sales	3	2 356	2 754
Operating profit	3	33	251
Finance income	5	1	2
Finance expense	5	(32)	(37)
Share of profit after tax of joint ventures and associates		49	61
Profit before tax		51	277
Income tax expense	6	(21)	(32)
Profit for the year from continuing operations		30	245
Profit for the year from discontinued operations	7	–	28
Profit for the year		30	273
<b>Profit for the year attributable to:</b>			
– Owners of the Company		30	273
– Non-controlling interests		–	–
Profit for the year		30	273

<b>Earnings per share</b>		Pence	Pence
Continuing operations:	8		
– Basic		6.6p	52.8p
– Diluted		6.5p	52.1p
Total operations:	8		
– Basic		6.6p	58.8p
– Diluted		6.5p	58.0p

<b>Analysis of adjusted profit for the year from continuing operations</b>		£m	£m
Profit before tax		51	277
Adjusted for:			
Exceptional items	4	142	14
Amortisation of acquired intangible assets		9	10
Net retirement benefit interest	5,11	8	8
Share of tax of joint ventures and associates	6	14	13
<b>Adjusted profit before tax</b>		<b>224</b>	<b>322</b>
Adjusted income tax expense	6	(48)	(60)
Adjusted profit for the year		176	262

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Profit for the year</b>		30	273
<b>Other comprehensive income/(expense)</b>			
<b>Items that have been/may be reclassified to profit or loss:</b>			
Fair value loss on cash flow hedges		(5)	(2)
Fair value gain on cash flow hedges transferred to the income statement		(2)	–
Fair value gain on available for sale financial assets		2	–
Gain/(loss) on currency translation of foreign operations		56	(104)
Fair value (loss)/gain on net investment hedges		(32)	50
Share of other comprehensive expense of joint ventures and associates		(18)	(25)
Tax income relating to the above components		2	–
		3	(81)
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurement of retirement benefit plans			
- Actual return higher/(lower) than interest on plan assets		161	(29)
- Net actuarial (loss)/gain on net retirement benefit obligation		(186)	19
Tax income/(expense) relating to the above items		20	(22)
		(5)	(32)
<b>Total other comprehensive expense</b>		(2)	(113)
<b>Total comprehensive income</b>		28	160
<b>Analysed by:</b>			
- Continuing operations		28	132
- Discontinued operations	7	–	28
Total comprehensive income		28	160
<b>Attributable to:</b>			
- Owners of the Company		28	160
- Non-controlling interests		–	–
Total comprehensive income		28	160

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March 2015 £m	Restated* At 31 March 2014 £m	Restated* At 1 April 2013 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill and other intangible assets		340	307	270
Property, plant and equipment		750	732	812
Investments in joint ventures		323	308	377
Investments in associates		4	4	4
Available-for-sale financial assets		15	28	27
Derivative financial instruments		30	23	54
Deferred tax assets		4	4	8
Trade and other receivables		2	–	–
Retirement benefit surplus	11	25	–	12
		1 493	1 406	1 564
<b>Current assets</b>				
Inventories		363	372	438
Trade and other receivables		290	265	321
Current tax assets		2	1	3
Available-for-sale financial assets		16	–	–
Derivative financial instruments		62	78	84
Other financial assets		2	–	–
Cash and cash equivalents	10	195	346	305
		930	1 062	1 151
Assets held for sale		–	–	1
		930	1 062	1 152
<b>TOTAL ASSETS</b>		<b>2 423</b>	<b>2 468</b>	<b>2 716</b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Share capital		117	117	117
Share premium		406	406	406
Capital redemption reserve		8	8	8
Other reserves		61	58	139
Retained earnings		343	460	366
Equity attributable to owners of the Company		935	1 049	1 036
Non-controlling interests		1	1	–
<b>TOTAL EQUITY</b>		<b>936</b>	<b>1 050</b>	<b>1 036</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		13	2	3
Borrowings	10	463	437	816
Derivative financial instruments		15	2	21
Deferred tax liabilities		32	42	21
Retirement benefit deficit	11	252	220	277
Provisions for other liabilities and charges		8	9	15
		783	712	1 153
<b>Current liabilities</b>				
Trade and other payables		316	283	344
Current tax liabilities		45	38	52
Borrowings and bank overdrafts	10	305	323	58
Derivative financial instruments		25	49	55
Provisions for other liabilities and charges		13	13	18
		704	706	527
<b>TOTAL LIABILITIES</b>		<b>1 487</b>	<b>1 418</b>	<b>1 680</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 423</b>	<b>2 468</b>	<b>2 716</b>

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		51	277
Adjustments for:			
Depreciation of property, plant and equipment		85	83
Amortisation of intangible assets		24	20
Share-based payments		–	8
Exceptional items (non-cash)	4	113	–
Other non-cash items		–	(6)
Finance income	5	(1)	(2)
Finance expense	5	32	37
Share of profit after tax of joint ventures and associates		(49)	(61)
Changes in working capital		8	15
Net retirement benefit obligations		(47)	(43)
Cash generated from continuing operations		216	328
Interest paid		(30)	(33)
Net income tax paid		(7)	(9)
Net cash generated from operating activities		179	286
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(121)	(102)
Purchase of intangible assets		(34)	(45)
Proceeds on disposal of property, plant and equipment		–	33
Acquisition of businesses, net of cash acquired	14	(26)	(15)
Disposal of businesses, net of cash disposed		–	3
Purchase of available-for-sale financial assets		(2)	(4)
Disposal of available-for-sale financial assets		2	2
Interest received		1	2
Dividends received from joint ventures and associates		16	105
Net cash used in investing activities		(164)	(21)
<b>Cash flows from financing activities</b>			
Purchase of own shares		(12)	(29)
Cash inflow from additional borrowings		278	8
Cash outflow from repayment of borrowings		(319)	(50)
Repayment of capital element of finance leases		(2)	(2)
Dividends paid to the owners of the Company	9	(130)	(124)
Net cash used in financing activities		(185)	(197)
<b>Net (decrease)/increase in cash and cash equivalents</b>	10	(170)	68
<b>Cash and cash equivalents:</b>			
Balance at beginning of year		346	305
Net (decrease)/increase in cash and cash equivalents		(170)	68
Currency translation differences		19	(27)
<b>Balance at end of year</b>	10	195	346

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see note 19).

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 & share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Attributable to the owners of the Company £m	Non-controlling interests £m	Total equity £m
At 1 April 2013*	523	8	139	366	1 036	–	1 036
Year ended 31 March 2014*							
Profit for the year	–	–	–	273	273	–	273
Other comprehensive expense	–	–	(81)	(32)	(113)	–	(113)
Total comprehensive (expense)/income	–	–	(81)	241	160	–	160
Share-based payments, net of tax	–	–	–	8	8	–	8
Purchase of own shares	–	–	–	(29)	(29)	–	(29)
Non-controlling interest (NCI) in subsidiary acquired	–	–	–	–	–	1	1
Initial recognition of put option on NCI	–	–	–	(2)	(2)	–	(2)
Dividends paid (Note 9)	–	–	–	(124)	(124)	–	(124)
<b>At 31 March 2014*</b>	<b>523</b>	<b>8</b>	<b>58</b>	<b>460</b>	<b>1 049</b>	<b>1</b>	<b>1 050</b>
Year ended 31 March 2015:							
Profit for the year	–	–	–	30	30	–	30
Other comprehensive income/(expense)	–	–	3	(5)	(2)	–	(2)
Total comprehensive income	–	–	3	25	28	–	28
Purchase of own shares	–	–	–	(12)	(12)	–	(12)
Dividends paid (Note 9)	–	–	–	(130)	(130)	–	(130)
<b>At 31 March 2015</b>	<b>523</b>	<b>8</b>	<b>61</b>	<b>343</b>	<b>935</b>	<b>1</b>	<b>936</b>

\* The adoption of IFRS 11 'Joint Arrangements' did not impact the opening or closing equity for the 2014 financial year.

### Dividends on ordinary shares in respect of the financial year

	Year ended 31 March 2015 Pence	Year ended 31 March 2014 Pence
Per ordinary share		
- Interim paid	8.2	7.8
- Final proposed	19.8	19.8
	28.0	27.6



# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

### 1. Background

The financial information on pages 28 to 56 is extracted from the Group's consolidated financial statements for the year ended 31 March 2015, which were approved by the Board of Directors on 27 May 2015.

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).

The Company's auditors, PricewaterhouseCoopers LLP, have given an unqualified report on the consolidated financial statements for the year ended 31 March 2015. 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 29 July 2015 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 2015 have been prepared on the going concern basis in accordance with IFRS adopted for use in the European Union and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of available-for-sale financial assets, derivative financial instruments, assets classified as held for sale and assets held by defined benefit pension plans.

#### Accounting standards adopted during the year

In the current year, the Group has adopted a number of new or revised accounting standards that are outlined below. With the exception of the changes arising from the adoption of IFRS 11 'Joint Arrangements', and IFRS 12 'Disclosure of Interests in Other Entities' the Group's principal accounting policies are unchanged compared with the year ended 31 March 2014.

##### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model for consolidation that applies to all entities, including special purpose entities.

##### *IFRS 11 Joint Arrangements*

With effect from 1 April 2014, the Group adopted IFRS 11 'Joint Arrangements' which has significantly changed the basis of accounting for its interests in joint ventures while not affecting the Group's earnings or net assets.

Previously, the Group had accounted for its interests in joint ventures on a proportionate consolidation basis, whereby the Group's share of the income and expenses, assets and liabilities and cash flows of joint ventures are combined on a line-by-line basis with those of Tate & Lyle PLC and its subsidiaries. IFRS 11 prohibits the use of proportionate consolidation and requires that joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, the Group's share of the after tax profits and losses of the joint ventures are shown on one line of the consolidated income statement, its share of their net assets are shown on one line of the consolidated statement of financial position and the consolidated statement of cash flows reflects cash flows between the Group and the joint ventures within cash flows from investing activities.

Comparatives amounts for 2014 have been restated on a consistent basis. An explanation and analysis of the effect of IFRS 11 on the Group's financial information is presented in note 19. In accordance with IAS 1, the Group has also presented a third statement of financial position (as at 1 April 2013) following the adoption of the accounting policy.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 2. Basis of preparation (continued)

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 is a new standard that prescribes disclosure requirements for all forms of interests in other entities, including joint ventures and associates;

#### - Interest in subsidiaries

IFRS 12 requires enhanced disclosure for each of an entity's subsidiaries that have material non-controlling interests. As of 31 March 2015, the Group did not have any subsidiaries with a material non-controlling interest.

#### - Interest in Joint Ventures and Associates

IFRS 12 has significantly changed the way that the Group is required to present and disclose information about its interests in joint arrangements and associates. The disclosure requirements for individual joint ventures and associates are far more detailed than previously required by IAS 31 'Interests in Joint Ventures', and IAS 28 'Investments in Associates'. Summarised financial information will be provided for all our material Joint Ventures in the notes to the accounts of our Annual Report. The information disclosed reflects the amounts required to be presented in the financial statements of the joint ventures, together with the Group's share of those amounts. Comparatives amounts for 2014 have also been provided on a consistent basis.

#### *Amendments to IAS 27 (Revised 2011) Separate Financial Statements*

IAS 27 (Revised 2011) now only deals with the requirements to prepare separate financial statements because the requirements to prepare consolidated financial statements are now contained in IFRS10.

#### *Amendments to IAS 28 (Revised 2011) Investments in Associates and Joint Ventures*

IAS 28 was revised as a consequence of the issuance of IFRS 11 in order to set out the requirements for the application of the equity method when accounting for joint ventures.

#### *Other standards*

Also at the beginning of the year, the Group adopted various minor improvements to accounting standards:

- Amendments to IAS 32 'Offsetting Financial Assets and Liabilities'
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'

### **Seasonality**

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

### **Use of adjusted measures**

Tate & Lyle presents adjusted performance measures including adjusted sales, operating profit, profit before tax and earnings per share information that are used for internal performance analysis and incentive compensation arrangements for employees and are presented because they provide investors with valuable additional information about the performance of the business. For the periods presented, adjusted performance measures exclude, where relevant, exceptional items, the amortisation of acquired intangible assets, net retirement benefit interest and tax on those adjustments. Adjusted measures are also presented using proportionate consolidation reflecting the Group's management of its joint ventures on an integrated basis with its subsidiaries. Adjusted 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. The Directors do not regard these measures as a substitute for, or superior to, the equivalent measures presented in accordance with IFRS.

Reconciliations of the adjusted performance measures to the most directly comparable measures presented in accordance with IFRS are presented in Note 18.

### **Exceptional items**

Exceptional items comprise items of income and expenditure, including tax items, that are material in amount and unlikely to recur and which merit separate disclosure in order to provide an understanding of the Group's underlying financial performance. Examples of events giving rise to the presentation of material items of income and expense as exceptional items include, but are

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 2. Basis of preparation (continued)

not limited to, impairment events, significant business transformation activities, acquisitions or disposals of operations or significant individual assets, litigation claims by or against the Group and the restructuring of components of the Group's operations.

#### Discontinued operations

In the Group's financial statements, the results, assets and liabilities and cash flows of discontinued operations are presented separately from those of continuing operations. An operation is classified as discontinued if it is a component of the Group that: (i) has been disposed of, or meets the criteria to be classified as held for sale; and (ii) represents a separate major line of business or geographic area of operations or will be disposed of as part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations.

#### Accounting standards issued but not yet adopted

A number of new standards and amendments to standards and interpretations have been issued that are relevant to the Group but had not been adopted at 31 March 2015:

##### *Standards to be adopted at the beginning of the 2016 financial year*

- IAS 19 Defined Benefit Plans: Employee Contributions (Amendments)

The Amendments clarify how employee contributions that are linked to service should be attributed to periods of service and when such contributions may be treated as a reduction in the service cost that is recognised in the income statement. Subject to its endorsement for use in the European Union, the Group will adopt the Amendments with effect from 1 April 2015.

##### *Standards to be adopted in subsequent years*

- IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through the income statement. The standard is expected to be effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement.

- IFRS 15 Revenue from contracts with customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard will replace IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The IASB has announced that it is considering deferral of the adoption until at least 1 January 2018.

- Other pronouncements

Various minor improvements to accounting standards have arisen from the IASB's 2010-2012, 2011-2013 and 2012-2014 review cycles.

Whilst the directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, the Group has not yet undertaken a detailed impact assessment on their effect.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 3. Segment information

Segment information is presented on a consistent basis with the information presented to the Board (the designated Chief Operating Decision Maker) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. Continuing operations comprise two operating segments: Speciality Food Ingredients and Bulk Ingredients. Central, which comprises central costs including head office, treasury and re-insurance activities, does not meet the definition of an operating segment under IFRS 8 'Operating Segments' but no sub-total is shown for the Group's operating segments in the tables below so as to be consistent with the presentation of segment information to the Board. Both segments are served by a single manufacturing network, and receive services from a number of global support functions. The segmental information presented below reflects the allocation of assets and costs based on the most appropriate methodology in each case, consistently applied over time.

The Board uses adjusted operating profit as the measure of the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the years presented, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of acquired intangible assets and exceptional items. The Group has presented segment and adjusted financial information on a proportionate consolidation basis, as this reflects the management of its joint ventures on an integrated basis with the Group's subsidiaries. The segmental classification of exceptional items is detailed in Note 4. An analysis of total assets and total liabilities by operating segment is not presented to the Board but it does receive segmental analysis of net working capital (inventories, trade and other receivables, less trade and other payables). Accordingly, the amounts presented for segment assets and segment liabilities in the tables below represent those assets and liabilities that comprise elements of net working capital. The segment results were as follows:

#### (a) Segment sales

	Notes	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Sales</b>			
Speciality Food Ingredients		908	983
Bulk Ingredients		1 786	2 164
Adjusted sales		2 694	3 147
Elimination of proportionate consolidation		(338)	(393)
<b>Sales</b>		<b>2 356</b>	<b>2 754</b>

#### (b) Segment results

	Notes	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Operating profit</b>			
Speciality Food Ingredients		149	213
Bulk Ingredients		133	172
Central		(35)	(36)
Adjusted operating profit		247	349
Elimination of proportionate consolidation		(63)	(74)
		184	275
Adjusting items:			
– Exceptional items	4	(142)	(14)
– Amortisation of acquired intangible assets		(9)	(10)
Operating profit		33	251
Finance income	5	1	2
Finance expense	5	(32)	(37)
Share of profit after tax of joint ventures and associates		49	61
<b>Profit before tax</b>		<b>51</b>	<b>277</b>

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION**  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)

**3. Segment information (continued)**

	<b>Year ended 31 March 2015 Percentage</b>	Year ended 31 March 2014 Percentage
<b>Adjusted operating margin</b>		
Speciality Food Ingredients	16.4%	21.7%
Bulk Ingredients	7.4%	7.9%
Central	n/a	n/a
<b>Total</b>	<b>9.2%</b>	<b>11.1%</b>

**(c) Segment assets / (liabilities)**

	<b>At 31 March 2015</b>		
	<b>Assets £m</b>	<b>Liabilities £m</b>	<b>Net £m</b>
<b>Net working capital</b>			
Speciality Food Ingredients	<b>306</b>	<b>(132)</b>	<b>174</b>
Bulk Ingredients	<b>408</b>	<b>(199)</b>	<b>209</b>
Central	<b>48</b>	<b>(37)</b>	<b>11</b>
Total working capital	<b>762</b>	<b>(368)</b>	<b>394</b>
Elimination of proportionate consolidation	<b>(107)</b>	<b>39</b>	<b>(68)</b>
Group working capital	<b>655</b>	<b>(329)</b>	<b>326</b>
Other assets/(liabilities)	<b>1 768</b>	<b>(1 158)</b>	<b>610</b>
<b>Group assets/(liabilities)</b>	<b>2 423</b>	<b>(1 487)</b>	<b>936</b>

	<b>At 31 March 2014 (Restated*)</b>		
	<b>Assets £m</b>	<b>Liabilities £m</b>	<b>Net £m</b>
<b>Net working capital</b>			
Speciality Food Ingredients	242	(94)	148
Bulk Ingredients	447	(181)	266
Central	44	(42)	2
Total working capital	733	(317)	416
Elimination of proportionate consolidation	(96)	32	(64)
Group working capital	637	(285)	352
Other assets/(liabilities)	1 831	(1 133)	698
<b>Group assets/(liabilities)</b>	<b>2 468</b>	<b>(1 418)</b>	<b>1 050</b>

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 4. Exceptional items

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
<b>Continuing operations</b>		
Business transformation costs (a)	(12)	(14)
Business re-alignment – impairment and related costs (b)	(118)	–
Termination of distribution rights agreement (c)	(12)	–
	<b>(142)</b>	<b>(14)</b>

#### Continuing operations

- (a) During the year, the Group recognised costs of £12 million (2014 - £14 million) in respect of the implementation of a common global IS/IT system, and which did not meet the criteria to be capitalised. These costs are classified within Central costs in each of the above disclosed periods. During the year, in total we incurred £22 million of costs associated with the implementation of the common global IS/IT system. This brings total expenditure on the project to £146 million, including £5 million of hardware, software and associated costs.
- (b) As part of the major business re-alignment announced on 21 April 2015, the Group announced its intention to consolidate all SPLENDA® Sucralose production into our facility in the US and close the Singapore facility which will not be cost competitive going forward. The Group recognised an impairment charge of £113 million within the SFI segment, comprising a full impairment of property, plant and equipment (£108 million) and associated intangible assets (£5 million). In addition, the Group incurred £5 million of one-off costs associated with the business re-alignment (primarily consultancy and redundancy costs) which were classified as Central costs.
- (c) The Group made a payment of £12 million in December 2014 to terminate distribution rights previously held by a third party to sell our crystalline fructose to customers, primarily in Asia Pacific. The expense was recognised within the SFI segment.

The tax impact on exceptional items was an £8 million credit (2014 – £9 million credit). Tax credits on exceptional costs are only recognised to the extent that losses incurred will result in tax recoverable in the future.

#### Discontinued operations

The Group did not recognise any exceptional items in respect of discontinued operations during the year ended 31 March 2015.

During the year ended 31 March 2014, the Group recognised an exceptional tax credit of £28 million in discontinued operations (see note 7) following the favourable resolution of outstanding tax matters associated with the starch facilities which formed part of the Group's former Food and Industrial Ingredients, Europe segment.

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION**  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)

**5. Finance income and finance expense**

	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Continuing operations</b>		
<b>Finance income</b>		
Interest receivable	1	2
Total finance income	1	2
<b>Finance expense</b>		
Interest payable on bank and other borrowings	(23)	(28)
Fair value hedges:		
– fair value loss on interest rate derivatives	(3)	(20)
– fair value adjustment of hedged borrowings	3	20
Finance lease interest	(1)	(1)
Net retirement benefit interest	(8)	(8)
Total finance expense	(32)	(37)
Net finance expense	(31)	(35)

<b>Reconciliation to adjusted net finance expense</b>	Note	£m	£m
Net finance expense		(31)	(35)
Net retirement benefit interest	11	8	8
Adjusted net finance expense	18	(23)	(27)

Finance expense is shown net of borrowing costs of £1 million (2014 – £2 million) capitalised into the cost of assets at a capitalisation rate of 3.4% (2014 – 3.9%). Finance income and finance expense relate wholly to continuing operations.

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 6. Income tax expense

	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Continuing operations</b>		
Current tax:		
In respect of the current period		
– UK	–	–
– Overseas	15	27
Adjustments in respect of the previous years	(2)	–
	13	27
Deferred tax charge	8	10
Adjustments in respect of previous years	–	(5)
Income tax expense	21	32

<b>Reconciliation to adjusted income tax expense</b>	£m	£m
Income tax expense	21	32
Tax on exceptional items, amortisation of acquired intangibles and net retirement benefit interest	13	15
Share of tax of joint ventures and associates	14	13
Adjusted income tax expense	48	60

Profit for the year from continuing operations reflected an income tax expense of £21 million (2014 – expense of £32 million), including an income tax credit of £8 million (2014 – credit of £9 million) in respect of exceptional items (see Note 4).

The Group's adjusted effective tax rate on continuing operations, calculated on the basis of the adjusted income tax expense of £48 million (2014 – £60 million) as a proportion of adjusted profit before tax of £224 million (2014 – £322 million) was 21.2% (2014 – 18.5%).

Adjustments to current tax in respect of previous years for the year ended 31 March 2015 totalled £2 million (2014 - £nil) reflecting non-recurring tax credits relating to prior years in several European jurisdictions.

Adjustments to deferred tax for the year ended 31 March 2015 in respect of prior years' totalled £nil (2014 – credit of £5 million). The amount recognised in the prior year reflects non-recurring tax credits in relation to prior years in the US, following a detailed review of underlying tax information.

The standard rate of corporation tax in the United Kingdom reduced from 21% to 20% with effect from 1 April 2015.

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).



# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 7. Discontinued operations

The Group did not recognise any operations as being discontinued during the year ended 31 March 2015. Continuing operations include the results of Eaststarch, which is not treated as a discontinued operation for the financial year ended 31 March 2015.

During the year ended 31 March 2014, the Group recognised a non-cash exceptional income tax credit of £28 million following the favourable resolution of outstanding tax matters associated with the starch facilities which formed part of the Group's former Food & Industrial Ingredients, Europe segment.

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit before tax	–	–
Income tax credit	–	28
Profit for the year	–	28
Non-controlling interests	–	–
Profit attributable to owners of the Company	–	28

### 8. Earnings per share

#### Basic

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 ordinary shares purchased by the Company or in the Employee Benefit Trust to satisfy awards made under the Group's share-based incentive plans.

	Year ended 31 March 2015			Year ended 31 March 2014		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the Company (£m)	30	–	30	245	28	273
Weighted average number of ordinary shares in issue (millions)	464.2	464.2	464.2	464.1	464.1	464.1
Basic earnings per share	6.6p	-	6.6p	52.8p	6.0p	58.8p

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue (assuming conversion of all potentially dilutive ordinary shares). Potentially dilutive ordinary shares arise from awards made under the Group's share-based incentive plans. Where the vesting of these awards is contingent on satisfying a service or performance condition, the number of potentially dilutive ordinary shares is calculated based on the status of the condition at the end of the period. Potentially dilutive shares are actually dilutive only when the average market price of the Company's ordinary shares during the period exceeds their exercise price (options) or issue price (other awards). The greater any such excess, the greater the dilutive effect. The average market price of the Company's ordinary shares during the year was 640p (2014 – 788p). The dilutive effect of share-based incentives was 3.8 million shares (2014 – 6.4 million shares).

	Year ended 31 March 2015			Year ended 31 March 2014		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the Company (£ million)	30	–	30	245	28	273
Weighted average number of diluted ordinary shares (millions)	468.0	468.0	468.0	470.5	470.5	470.5
Diluted earnings per share	6.5p	-	6.5p	52.1p	5.9p	58.0p

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 8. Earnings per share (continued)

#### Adjusted earnings per share

Adjusted earnings per share measures are calculated based on profit for the year from continuing operations attributable to owners of the Company before adjusting items as follows:

	Year ended 31 March 2015 £m	Restated* Year ended 31 March 2014 £m
<b>Continuing operations</b>		
Profit attributable to owners of the Company	30	245
Adjusting items:		
– exceptional items	142	14
– amortisation of acquired intangible assets	9	10
– net retirement benefit interest	8	8
– tax effect of the above adjustments	(13)	(15)
Adjusted profit attributable to owners of the Company	176	262
Adjusted basic earnings per share (pence)	38.0p	56.5p
Adjusted diluted earnings per share (pence)	37.7p	55.7p

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see note 19).

### 9. Dividends on ordinary shares

Dividends on ordinary shares in respect of the financial year:

	Year ended 31 March 2015 Pence	Year ended 31 March 2014 Pence
Per ordinary share		
– Interim dividend paid	8.2p	7.8p
– Final dividend proposed	19.8p	19.8p
Total dividend	28.0p	27.6p

The Directors propose a final dividend for the financial year of 19.8p per ordinary share that, subject to approval by shareholders, will be paid on 31 July 2015 to shareholders on the Register of Members on 3 July 2015.

Dividends on ordinary shares paid in the year:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Final dividend paid relating to the prior year	92	88
Interim dividend paid relating to the year	38	36
Total dividend paid	130	124

Based on the number of ordinary shares outstanding at 31 March 2015 and the proposed amount, the final dividend for the financial year is expected to amount to £92 million.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 10. Net debt

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

	At 31 March 2015 £m	At 31 March 2014 £m
Non-current borrowings	(463)	(437)
Current borrowings and bank overdrafts	(305)	(323)
Debt-related derivative financial instruments	18	29
Cash and cash equivalents	195	346
Share of net cash in joint ventures	51	32
<b>Net debt</b>	<b>(504)</b>	<b>(353)</b>

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 31 March 2015, the net fair value of these derivatives comprised assets of £33 million (2014 – £36 million) and liabilities of £15 million (2014 – £7 million).

Movements in the Group's net debt, including share of net cash in joint ventures, were as follows:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Net debt at beginning of the period	(353)	(479)
(Decrease)/increase in cash and cash equivalents in the period	(170)	68
Net cash outflow from movement in borrowings (note a)	43	44
Debt in subsidiary acquired	(5)	(3)
Fair value and other movements	1	–
Currency translation differences	(39)	37
Movements in share of net cash in joint ventures	19	(20)
(Increase)/decrease in net debt in the period	(151)	126
<b>Net debt at end of the period</b>	<b>(504)</b>	<b>(353)</b>

- (a) Net cash flow from movement in borrowings for the year ended 31 March 2015 includes a repayment of capital element of finance leases of £2 million (year ended 31 March 2014 - £2 million).

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION**  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)

**11. Retirement benefit obligations**

At 31 March 2015, the net liability in respect of retirement benefits was £227 million (2014 - £220 million), which may be analysed as follows:

	At 31 March 2015			At 31 March 2014		
	Pensions £m	Medical benefits £m	Total £m	Pensions £m	Medical benefits £m	Total £m
Present value of the benefit obligation	(1 692)	(69)	(1 761)	(1 471)	(54)	(1 525)
Fair value of plan assets	1 534	–	1 534	1 305	–	1 305
<b>Net liability</b>	<b>(158)</b>	<b>(69)</b>	<b>(227)</b>	<b>(166)</b>	<b>(54)</b>	<b>(220)</b>
Presented as:						
Deficits	(183)	(69)	(252)	(166)	(54)	(220)
Surpluses	25	–	25	–	–	–
<b>Net liability</b>	<b>(158)</b>	<b>(69)</b>	<b>(227)</b>	<b>(166)</b>	<b>(54)</b>	<b>(220)</b>

Changes in the net liability during the year may be analysed as follows:

	Year ended 31 March 2015		
	Pensions £m	Medical benefits £m	Total £m
Net liability at 1 April 2014	<b>(166)</b>	<b>(54)</b>	<b>(220)</b>
(Increase)/decrease in the benefit obligation:			
– Service cost	(4)	1	(3)
– Plan administration costs	(3)	–	(3)
– Interest on benefit obligation	(60)	(2)	(62)
– Net actuarial (loss)/gain	(174)	(12)	(186)
– Benefits paid	76	4	80
– Currency translation differences	(56)	(6)	(62)
<b>Net increase in the benefit obligation</b>	<b>(221)</b>	<b>(15)</b>	<b>(236)</b>
Increase/(decrease) in the fair value of plan assets:			
– Interest on plan assets	54	–	54
– Actual return higher than interest on plan assets	161	–	161
– Employer's contributions	48	4	52
– Benefits paid	(76)	(4)	(80)
– Currency translation differences	42	–	42
<b>Net increase in the fair value of plan assets</b>	<b>229</b>	<b>–</b>	<b>229</b>
<b>Net liability at 31 March 2015</b>	<b>(158)</b>	<b>(69)</b>	<b>(227)</b>

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 12. Capital commitments

In the year ended 31 March 2015, there were additions to intangible assets (excluding goodwill and acquired intangibles) of £34 million (2014 – £57 million) and additions to property, plant and equipment of £133 million (2014 – £102 million).

Commitments at the balance sheet date were as follows:

	At 31 March 2015 £m	Restated* At 31 March 2014 £m
Commitments for the purchase of intangible assets	4	1
Commitments for the purchase of property, plant and equipment	71	36
<b>Total commitments</b>	<b>75</b>	<b>37</b>

\* Restated for the adoption of IFRS 11 'Joint Arrangements' (see note 19)

### 13. Contingent liabilities

#### Sale of EU Sugars

As previously announced, American Sugar Holdings (ASR) raised a number of claims totalling in the region of £40 million that it believes it has under the Share and Business Sale Agreement relating to its acquisition of the Group's EU Sugars business in September 2010. These claims in large part relate to the turbulence in the supply of raw sugar to the EU during the period prior to closing and the increase in certain rolling re-export commitments of the business. Some, but not all, of these issues were considered in the expert adjudication on the closing accounts in which, as noted in the 2012 Annual Report, the expert strongly supported the Group's position. ASR (through its subsidiary T&L Sugars Limited) has commenced formal proceedings in respect of these claims which the Group intends to defend vigorously. A trial of these proceedings was held in the Commercial Court in London in May 2015, with the Judge's verdict expected later in 2015.

#### Other claims

The Group is subject to claims and litigation generally arising in the ordinary course of its business, some of which are for substantial amounts. All such actions are strenuously defended but provision is made for liabilities that are considered likely to arise on the basis of current information and legal advice and after taking into account the Group's insurance arrangements. While there is always uncertainty as to the outcome of any claim or litigation, it is not expected that claims and litigation existing at 31 March 2015 will have a material adverse effect on the Group's financial position.

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 14. Acquisitions

#### Year ended 31 March 2015

On 1 August 2014, the Group completed its acquisition of the trade and assets of Winway Biotechnology Nantong Co., Ltd, a leading polydextrose producer in China. Total consideration was £8 million, of which £2 million has been deferred in escrow as security against a number of general warranties and representations detailed in the acquisition agreement. The provisionally determined fair value of net assets acquired totalled £5 million, with provisional goodwill of £3 million recognised.

On 4 December 2014, the Group acquired a 90% equity interest in Gemacom Tech Indústria E Comércio S.A., a leading food systems business in Brazil. The new venture, Tate & Lyle Gemacom, provides the Group with local infrastructure and capabilities to accelerate the growth of its Food Systems business in Brazil. At the acquisition date, the Group entered into put and call option arrangements, whereby at a future date it could be required to purchase, or could itself opt to purchase the remaining 10% equity interest in the company for a fixed £3 million option price (present value £2 million). In addition, deferred cash consideration of £9 million which is payable at the end of 5 years from acquisition date had been recognised at its present value of £6 million. No non-controlling interest was recognised as the risks and rewards of the ownership had been assumed by the Group. Contingent consideration of £2 million in relation to the expected profit share payable to the minority shareholders over five years from the acquisition date has been recognised, representing the present value of the relevant share of forecast profits of Gemacom for the next five years. Therefore, total consideration was £27 million (consisting of cash consideration of £19 million, deferred consideration of £6 million, and contingent consideration of £2 million). The contingent consideration has been disclosed as a 'Level 3' financial instrument (see note 17). The fair value of net assets acquired totalled £5 million, with provisional goodwill of £24 million recognised. A summary of the acquisition accounting for the year ended 31 March 2015 is set out below:

	Winway 2015 £m	Gemacom 2015 £m	Year ended 31 March 2015 £m
Cash consideration – including amounts paid to escrow	8	19	27
Deferred consideration	–	6	6
Contingent consideration	–	2	2
Total consideration	8	27	35
Add: liability recognised in respect of put option	–	2	2
Less: net assets acquired	(5)	(5)	(10)
Provisional goodwill	3	24	27
Cash consideration paid	8	19	27
Cash acquired	–	(1)	(1)
Net cash outflows on acquisition	8	18	26

#### Year ended 31 March 2014

On 17 May 2013, the Group acquired a 100% equity interest in Biovelop, an early-stage Swedish manufacturer of oat beta glucan. The acquisition broadened the Group's health and wellness offering and added an oat-based clean-label, speciality fibre with strong health claims to its existing corn-based portfolio.

On 8 October 2013, the Group acquired a 51% equity interest in Jiangsu Howbetter Food Co., Ltd, a leading Food Systems business in China. The new venture, Tate & Lyle Howbetter, provides the Group with local infrastructure and capabilities to accelerate the growth of its Food Systems business in China. At the acquisition date, the Group entered into put and call option arrangements whereby at a future date it could be required to purchase, or could itself opt to purchase, the 49% non-controlling interest in Tate & Lyle Howbetter for an amount in cash based on the future results of that business. The Group initially recognised a liability of £2 million in relation to the put option and a corresponding debit to equity attributable to owners of the Company, reflecting the non-controlling interest of the minority shareholder. Aggregate goodwill of £10 million was recognised on business combinations during the year. A summary of the acquisition accounting for the year ended 31 March 2014 is set out below:

	Biovelop 2014 £m	Howbetter 2014 £m	Year ended 31 March 2014 £m
Cash consideration	12	3	15
Non-controlling interests (share of net assets acquired)	–	1	1
Less: net assets acquired	(4)	(2)	(6)
Goodwill	8	2	10
Cash consideration paid – cash outflow on acquisitions	12	3	15

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 15. Related party disclosures

The Group's significant related parties are its associates and joint ventures. These will be disclosed in the Tate & Lyle Annual Report 2015. There were no material differences in related parties or in the nature of related party transactions during the period.

### 16. Foreign exchange rates

The following exchange rates have been applied to translate the financial statements of the Group's principal overseas operations:

	Year ended 31 March 2015	Year ended 31 March 2014
<b>Average foreign exchange rates</b>		
US Dollar £1 = \$	1.61	1.59
Euro £1 = €	1.28	1.19
	At 31 March 2015	At 31 March 2014
<b>Period end foreign exchange rates</b>		
US Dollar £1 = \$	1.49	1.67
Euro £1 = €	1.38	1.21

### 17. Financial instruments

The table below shows the Group's financial assets and liabilities measured at fair value at 31 March 2015. The fair value hierarchy categorisation, valuation techniques and inputs are consistent with those used in the year ended 31 March 2014 and to be disclosed in the notes to the 2015 Annual Report:

- Quoted price (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1, directly or indirectly observable for the asset or liability (level 2); and
- Inputs for the assets or liability that are not based on observable market data (level 3).

	At 31 March 2015				At 31 March 2014 (Restated*)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets at fair value</b>								
Available for sale financial assets	-	-	31	31	-	-	28	28
Other financial assets	2	-	-	2	-	-	-	-
Derivative financial instruments:								
- currency swaps	-	9	-	9	-	3	-	3
- interest rate swaps	-	24	-	24	-	33	-	33
- forward foreign exchange contracts	-	1	-	1	-	1	-	1
- commodity pricing contracts	2	19	37	58	9	13	42	64
<b>Assets at fair value</b>	4	53	68	125	9	50	70	129

	At 31 March 2015				At 31 March 2014 (Restated*)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Liabilities at fair value</b>								
Other financial liabilities (within current payables - see note 14)	-	-	(2)	(2)	-	-	-	-
Derivative financial instruments:								
- currency swaps	-	(15)	-	(15)	-	(2)	-	(2)
- interest rate swaps	-	-	-	-	-	(5)	-	(5)
- commodity pricing contracts	(12)	(7)	(6)	(25)	(13)	(10)	(21)	(44)
<b>Liabilities at fair value</b>	(12)	(22)	(8)	(42)	(13)	(17)	(21)	(51)

\*Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19)

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 17. Financial instruments (continued)

For commodity pricing contracts, in evaluating the significance of fair value inputs, the Group generally classifies assets or liabilities as 'Level 3' when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs represent more than 10% of the fair value of the observable inputs of the assets or liabilities. Available-for-sale financial assets which are analysed at 'Level 3' primarily represent investments in unlisted securities. The fair values of the unlisted securities are principally approximated at cost where the fair value cannot be reliably measured. The following table reconciles the movement in the Group's net financial instruments classified in 'Level 3' of the fair value hierarchy:

	Commodity pricing contracts assets £m	Commodity pricing contracts liabilities £m	Available- for-sale financial assets £m	Other financial liabilities £m	Total £m
At 1 April 2013*	53	(21)	27	–	59
Total gains/(losses):					
– in operating profit	42	(21)	–	–	21
– in other comprehensive income	–	–	(2)	–	(2)
Purchases	–	–	4	–	4
Settlements	(53)	21	(1)	–	(33)
At 31 March 2014*	42	(21)	28	–	49
Total gains/(losses):					
– in operating profit	37	(6)	(2)	–	29
– in other comprehensive income	–	–	5	–	5
Purchases	–	–	2	(2)	–
Settlements	(42)	21	(2)	–	(23)
<b>At 31 March 2015</b>	<b>37</b>	<b>(6)</b>	<b>31</b>	<b>(2)</b>	<b>60</b>

The fair value of borrowings is estimated to be £792 million (31 March 2014 – £794 million) and has been determined using quoted market prices or discounted cash flow analysis. The values of other assets and liabilities held at amortised cost are not materially different from their fair values.

\*Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19)



# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 18. Reconciliation of adjusted performance measures

For the reasons set out in Note 2, Tate & Lyle presents adjusted performance measures including adjusted sales, adjusted operating profit, adjusted profit before tax and adjusted earnings per share. Reported measures are also adjusted to reflect the presentation of Group financial information on a proportionate consolidation basis.

For the periods presented, these adjusted performance measures exclude, where relevant:

- exceptional items
- the amortisation of acquired intangible assets
- net retirement benefit interest, and;
- tax on the above adjustments.

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

£m unless otherwise stated	Year ended 31 March 2015			Year ended 31 March 2014 (Restated*)		
	Reported	Adjusting items	Adjusted	Reported	Adjusting items	Adjusted
<b>Continuing operations</b>						
Sales	2 356	338	2 694	2 754	393	3 147
Operating profit	33	214	247	251	98	349
Net finance expense	(31)	8	(23)	(35)	8	(27)
Share of profit after tax of joint ventures and associates	49	(49)	–	61	(61)	–
Profit before tax	51	173	224	277	45	322
Income tax expense	(21)	(27)	(48)	(32)	(28)	(60)
Non-controlling interests	–	–	–	–	–	–
Profit attributable Owners of the Company	30	146	176	245	17	262
Basic earnings per share	6.6p	31.4p	38.0p	52.8p	3.7p	56.5p
Diluted earnings per share	6.5p	31.2p	37.7p	52.1p	3.6p	55.7p
Effective tax rate	40.5%		21.2%	11.6%		18.5%
<b>Discontinued operations</b>						
Income tax credit	–	–	–	28	(28)	–
Profit for the year	–	–	–	28	(28)	–
Non-controlling interests	–	–	–	–	–	–
Profit attributable to Owners of the Company	–	–	–	28	(28)	–
Basic earnings per share	–	–	–	6.0p	(6.0p)	–
Diluted earnings per share	–	–	–	5.9p	(5.9p)	–
<b>Total operations</b>						
Sales	2 356	338	2 694	2,754	393	3 147
Operating profit	33	214	247	251	98	349
Net finance expense	(31)	8	(23)	(35)	8	(27)
Share of profit after tax of joint ventures and associates	49	(49)	–	61	(61)	–
Profit before tax	51	173	224	277	45	322
Income tax expense	(21)	(27)	(48)	(4)	(56)	(60)
Non-controlling interests	–	–	–	–	–	–
Profit attributable to Owners of the Company	30	146	176	273	(11)	262
Basic earnings per share	6.6p	31.4p	38.0p	58.8p	(2.3p)	56.5p
Diluted earnings per share	6.5p	31.2p	37.7p	58.0p	(2.3p)	55.7p
Effective tax rate	40.5%		21.2%	1.5%		18.5%

\*Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION**  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)

**18. Reconciliation of adjusted performance measures (continued)**

The Group also continues to use proportionately consolidated cash flow financial information for management of the business. The following tables show the reconciliation of the adjusted performance measures to the most directly comparable measures presented in accordance with IFRS.

	<b>Year ended 31 March 2015</b>			
	Reported £m	Eliminate equity accounting £m	Add proportionate consolidation £m	Reported pre IFRS 11 £m
<b>Cash flows from operating activities</b>				
Profit before tax from continuing operations	51	(49)	63	65
Adjustments for:				
Depreciation of property, plant and equipment	85	–	13	98
Amortisation of intangible assets	24	–	–	24
Share-based payments	–	–	–	–
Exceptional items (non-cash)	113	–	–	113
Other non-cash items	–	–	–	–
Finance income	(1)	–	–	(1)
Finance expense	32	–	–	32
Share of profit after tax of joint ventures and associates	(49)	49	–	–
Changes in working capital	8	–	(13)	(5)
Changes in net retirement benefit obligations	(47)	–	–	(47)
Cash generated from continuing operations	216	–	63	279
Interest paid	(30)	–	–	(30)
Net income tax paid	(7)	–	(11)	(18)
Net cash generated from operating activities	179	–	52	231
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(121)	–	(11)	(132)
Purchase of intangible assets	(34)	–	–	(34)
Proceeds on disposal of property, plant and equipment	–	–	1	1
Acquisition of businesses, net of cash acquired	(26)	–	–	(26)
Disposal of businesses, net of cash disposed	–	–	–	–
Purchase of available-for-sale financial assets	(2)	–	–	(2)
Disposal of available-for-sale financial assets	2	–	–	2
Interest received	1	–	–	1
Dividends received from joint ventures and associates	16	–	(16)	–
Net cash used in investing activities	(164)	–	(26)	(190)
<b>Cash flows from financing activities</b>				
Purchase of own shares	(12)	–	–	(12)
Cash inflow from additional borrowings	278	–	(3)	275
Cash outflow from repayment of borrowings	(319)	–	(7)	(326)
Repayment of capital element of finance leases	(2)	–	–	(2)
Dividends paid to the owners of the Company	(130)	–	–	(130)
Net cash used in financing activities	(185)	–	(10)	(195)
<b>Net decrease in cash and cash equivalents</b>	<b>(170)</b>	<b>–</b>	<b>16</b>	<b>(154)</b>

**TATE & LYLE PLC**

**NOTES TO THE FINANCIAL INFORMATION**  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)

**18. Reconciliation of adjusted performance measures (continued)**

	Year ended 31 March 2014			
	Reported*	Eliminate equity accounting	Add proportionate consolidation	Reported pre IFRS 11
	£m	£m	£m	£m
<b>Cash flows from operating activities</b>				
Profit before tax from continuing operations	277	(61)	74	<b>290</b>
Adjustments for:				
Depreciation of property, plant and equipment	83	–	14	<b>97</b>
Amortisation of intangible assets	20	–	1	<b>21</b>
Share-based payments	8	–	–	<b>8</b>
Exceptional items	–	–	–	<b>–</b>
Other non-cash items	(6)	–	–	<b>(6)</b>
Finance income	(2)	–	–	<b>(2)</b>
Finance expense	37	–	–	<b>37</b>
Share of profit after tax of joint ventures and associates	(61)	61	–	<b>–</b>
Changes in working capital	15	–	23	<b>38</b>
Changes in net retirement benefit obligations	(43)	–	–	<b>(43)</b>
Cash generated from continuing operations	328	–	112	<b>440</b>
Interest paid	(33)	–	–	<b>(33)</b>
Net income tax paid	(9)	–	(14)	<b>(23)</b>
Net cash generated from operating activities	286	–	98	<b>384</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(102)	–	(12)	<b>(114)</b>
Purchase of intangible assets	(45)	–	–	<b>(45)</b>
Proceeds on disposal of property, plant and equipment	33	–	1	<b>34</b>
Acquisition of businesses, net of cash acquired	(15)	–	–	<b>(15)</b>
Disposal of businesses, net of cash disposed	3	–	–	<b>3</b>
Purchase of available-for-sale financial assets	(4)	–	–	<b>(4)</b>
Disposal of available-for-sale financial assets	2	–	–	<b>2</b>
Interest received	2	–	–	<b>2</b>
Dividends received from joint ventures and associates	105	–	(105)	<b>–</b>
Net cash used in investing activities	(21)	–	(116)	<b>(137)</b>
<b>Cash flows from financing activities</b>				
Purchase of own shares	(29)	–	–	<b>(29)</b>
Cash inflow from additional borrowings	8	–	(4)	<b>4</b>
Cash outflow from repayment of borrowings	(50)	–	4	<b>(46)</b>
Repayment of capital element of finance leases	(2)	–	–	<b>(2)</b>
Dividends paid to the owners of the Company	(124)	–	–	<b>(124)</b>
Net cash used in financing activities	(197)	–	–	<b>(197)</b>
<b>Net increase in cash and cash equivalents</b>	<b>68</b>	<b>–</b>	<b>(18)</b>	<b>50</b>

\*Restated for the adoption of IFRS 11 'Joint Arrangements' (see Note 19).

# TATE & LYLE PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

### 19. Adoption of IFRS 11 'Joint Arrangements'

With effect from 1 April 2014, the Group adopted IFRS 11 Joint Arrangements which changed significantly the accounting for its interests in joint ventures. Before adoption of the standard, the Group's interests in joint ventures were accounted for by proportionate consolidation, whereby the Group's share of the income and expenses, assets and liabilities and cash flows of joint ventures were combined on a line-by-line basis with those of Tate & Lyle PLC and its subsidiaries. IFRS 11 prohibits the use of proportionate consolidation and requires that joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, the Group's share of the after tax profits and losses of the joint ventures has been shown on one line of the consolidated income statement, its share of their net assets has been shown on one line of the consolidated statement of financial position and the consolidated statement of cash flows reflects cash flows between the Group and the joint ventures within cash flows from investing activities. While these changes have not affected the Group's earnings or its net assets, they have affected many of the individual line items presented in the Group's financial statements. In accordance with IAS 1, the Group has also presented a third statement of financial position (as at 1 April 2013) following the adoption of this accounting policy.

Comparative financial information for 2014 has been restated to adopt the new standard. An analysis of the effect of the impact on the Group's results for 2015 and 2014 is presented below:

	Year ended 31 March 2015			
	Under previous policy £m	Elimination of proportionate consolidation £m	Adoption of equity accounting £m	As reported £m
<b>Consolidated profit or loss and comprehensive income</b>				
Continuing operations				
Sales	2 694	(338)	–	2 356
Operating profit	96	(63)	–	33
Finance income	1	–	–	1
Finance expense	(32)	–	–	(32)
Share of profit after tax of joint ventures and associates	–	–	49	49
Profit before tax	65	(63)	49	51
Income tax expense	(35)	14	–	(21)
Profit from continuing operations	30	(49)	49	30
Profit from discontinued operations	–	–	–	–
Profit for the year	30	(49)	49	30
Other comprehensive expense	(2)	18	(18)	(2)
Total comprehensive income	28	(31)	31	28
<b>Consolidated cash flows</b>				
Net cash inflow from operating activities	231	(52)	–	179
Net cash outflow from investing activities	(190)	26	–	(164)
Net cash outflow from financing activities	(195)	10	–	(185)
Net cash outflow	(154)	(16)	–	(170)
<b>Consolidated statement of assets and liabilities</b>				
At 31 March 2015				
	Under previous policy £m	Elimination of proportionate consolidation £m	Adoption of equity accounting £m	As reported £m
Non-current assets	1 378	(124)	239	1 493
Current assets	1 102	(172)	–	930
Total assets	2 480	(296)	239	2 423
Total equity	936	(239)	239	936
Non-current liabilities	790	(7)	–	783
Current liabilities	754	(50)	–	704
Total equity and liabilities	2 480	(296)	239	2 423

TATE & LYLE PLC

NOTES TO THE FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)

19. Adoption of IFRS 11 'Joint Arrangements' (continued)

	Year ended 31 March 2014			
	Under previous policy £m	Elimination of proportionate consolidation £m	Adoption of equity accounting £m	As reported £m
<b>Consolidated profit or loss and comprehensive income</b>				
Continuing operations				
Sales	3 147	(393)	–	2 754
Operating profit	325	(74)	–	251
Finance income	2	–	–	2
Finance expense	(37)	–	–	(37)
Share of profit after tax of joint ventures and associates	–	–	61	61
Profit before tax	290	(74)	61	277
Income tax expense	(45)	13	–	(32)
Profit from continuing operations	245	(61)	61	245
Profit from discontinued operations	28	–	–	28
Profit for the year	273	(61)	61	273
Other comprehensive expense	(113)	25	(25)	(113)
Total comprehensive income	160	(36)	36	160
<b>Consolidated cash flows</b>				
Net cash inflow from operating activities	384	(98)	–	286
Net cash outflow from investing activities	(137)	116	–	(21)
Net cash outflow from financing activities	(197)	–	–	(197)
Net cash inflow	50	18	–	68

	At 31 March 2014			
	Under previous policy £m	Elimination of proportionate consolidation £m	Adoption of equity accounting £m	As reported £m
<b>Consolidated statement of assets and liabilities</b>				
Non-current assets	1 319	(137)	224	1 406
Current assets	1 208	(146)	–	1 062
Total assets	2 527	(283)	224	2 468
Total equity	1 050	(224)	224	1 050
Non-current liabilities	718	(6)	–	712
Current liabilities	759	(53)	–	706
Total equity and liabilities	2 527	(283)	224	2 468

## TATE & LYLE PLC

### NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

#### 20. Events after the reporting period

##### Major business re-alignment

###### *Re-alignment of Eaststarch European Joint Venture*

On 21 April 2015, the Group announced the exit from the substantial part of its European Bulk Ingredients business. Tate & Lyle and Archer Daniels Midland Company (ADM) signed an agreement to re-align Eaststarch C.V. (Eaststarch), their joint venture corn wet milling business in Europe in which each owns a 50% equity share. Eaststarch owns and operates three corn wet mills located in Slovakia, Bulgaria and Turkey, and has a 50% equity share in Europe's largest corn wet mill in Hungary. Tate & Lyle will:

- Acquire full ownership of the plant in Slovakia
- Exit the predominantly Bulk Ingredients plants in Bulgaria, Turkey and Hungary which will be acquired by ADM.
- Receive a cash sum of €240 million at closing, subject to customary closing adjustments, including for net cash and working capital, and an additional payment of up to €20 million in 2019 conditional on future corn and sugar pricing
- Continue to supply its European customers with crystalline fructose, a speciality sweetener, by being appointed as distributor for crystalline fructose produced from the plant in Turkey under a long-term agreement
- Appoint ADM as exclusive agent for Bulk Ingredients produced from the plant in Slovakia and Tate & Lyle's wholly-owned corn wet mill in The Netherlands under a long-term agreement.

Completion is conditional upon regulatory clearances which are expected in the summer. Net cash proceeds from this agreement to be received by Tate & Lyle will be retained to provide flexibility to invest for growth in Speciality Food Ingredients. In the year ended 31 March 2015, Eaststarch had adjusted operating profit of £83 million, 23% lower than in 2014 reflecting lower EU sugar prices. The pro-forma impact on the adjusted income statement for 2015 (assuming the transaction occurred at 1 April 2014) is disclosed as additional financial information as an appendix to this announcement.

###### *Re-focus and re-structure of SPLENDA<sup>®</sup> Sucralose*

On 21 April 2015, the Group announced that it had decided to consolidate SPLENDA<sup>®</sup> Sucralose production into our facility in the US, and close its Singapore facility by Spring 2016.

###### *Exceptional cost impact of the business re-alignment*

The re-structuring of the European Bulk Ingredients business is expected to give rise to a pre-tax exceptional profit on disposal of approximately £60 million subject to exchange rate movements and the timing of completion.

In total, exceptional charges of up to around £185 million will be recognised from these business re-alignment actions. These include charges of £118 million recognised in the year ended 31 March 2015, and a further exceptional charge to be recognised in the year ending 31 March 2016 of around £65 million. These exceptional charges consist of:

- An exceptional charge of around £163 million for the re-structuring of the SPLENDA<sup>®</sup> Sucralose business. This consists of £113 million for the impairment of the full carrying value of the Singapore facility recognised in the year ended 31 March 2015. The impairment charge comprises a full write-down of the property, plant and equipment (£108 million) and associated intangible assets (£5 million). Anticipated cash closure costs of up to £50 million will be recognised in the year ending 31 March 2016.
- An exceptional charge of up to £20 million in relation to the restructuring of our European operations to be predominantly recognised in the year ending 31 March 2016. This consists of up to £15 million of anticipated exceptional cash costs (of which £5 million have been recognised in the year ended 31 March 2015) and around £5 million of non-cash items.

# TATE & LYLE PLC

## ADDITIONAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

### 1. RATIO ANALYSIS <sup>(a)</sup>

	Year ended 31 March 2015	Year ended 31 March 2014
<b>Net debt to EBITDA <sup>(b)</sup></b>		
= <u>Net debt</u>	<u>462</u>	<u>373</u>
Pre-exceptional EBITDA	360	467
	<b>= 1.3 times</b>	= 0.8 times
<b>Interest cover <sup>(b)</sup></b>		
= <u>Operating profit before exceptional items and amortisation of intangible assets</u>	<u>247</u>	<u>359</u>
Net finance expense	23	31
	<b>= 10.7 times</b>	= 11.6 times
<b>Earnings dividend cover</b>		
= <u>Adjusted basic earnings per share from continuing operations</u>	<u>38.0</u>	<u>56.5</u>
Dividend per share	28.0	27.6
	<b>= 1.4 times</b>	= 2.0 times
<b>Cash dividend cover <sup>(c)</sup></b>		
= <u>Adjusted free cash flow from continuing operations</u>	<u>66</u>	<u>227</u>
Cash dividends	130	128
	<b>= 0.5 times</b>	= 1.8 times
<b>Return on capital employed <sup>(d)</sup></b>		
= <u>Profit before interest, tax and exceptional items from continuing operations</u>	<u>238</u>	<u>339</u>
Average invested operating capital of continuing operations	1 720	1 770
	<b>= 13.9%</b>	= 19.2%
<b>Average quarterly cash conversion <sup>(e)</sup></b>		
	<b>47 days</b>	39 days
	<b>At</b>	At
	<b>31 March</b>	31 March
	<b>2015</b>	2014
<b>Gearing</b>		
= <u>Net debt</u>	<u>504</u>	<u>353</u>
Total equity	936	1 050
	<b>= 54%</b>	= 34%

#### Notes:

(a) All ratios are calculated based on unrounded figures.

(b) Net debt to EBITDA and interest cover are defined under the Group's banking covenants. For banking covenant purposes these ratios are calculated based on the accounting standards that applied for the financial year 2014, and new accounting standards adopted by the Group subsequent to 1 April 2014 are disregarded. Net debt is calculated using average currency exchange rates.

(c) Free cash flow represents cash generated from continuing operations, less net interest paid, less income tax paid, less capital expenditure. Cash dividends represent dividends on ordinary shares paid or proposed in respect of the reporting period, excluding dividends that are reinvested in shares through the DRIP scheme.

(d) Average invested operating capital represents the average at the beginning and end of the period of shareholders' equity excluding net debt, net tax assets/liabilities and net retirement benefit obligations. This ratio is prepared on a proportionately consolidated basis.

(e) Average quarterly cash conversion represents controllable net working capital at the end of the quarter divided by sales in the quarter, multiplied by the number of days in the quarter and is calculated on a four-quarter rolling basis (a reduction in the number of days represents an improvement).

# TATE & LYLE PLC

## ADDITIONAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

### 2. Pro-forma impact of Eaststarch disposal on adjusted income statement

As set out in Note 20 to the financial information, the Group announced the exit from the substantial part of its European Bulk Ingredients business on 21 April 2015 as part of a wider business re-alignment.

Had the transaction taken effect from 1 April 2014, Group adjusted operating profit in the year ended 31 March 2015 would have been reduced by £32 million and diluted earnings per share would have been reduced by 5.5 pence:

	Year ended 31 March 2015		
Adjusted income statement <sup>1</sup> Unaudited pro-forma information	Disclosed Adjusted Results £m	Impact of Eaststarch Disposal <sup>2</sup> £m	Pro-forma Adjusted Results £m
<b>Adjusted sales</b>			
- Speciality Food Ingredients	908	20	928
- Bulk Ingredients	1 786	(121)	1 665
- <b>Group</b>	<b>2 694</b>	<b>(101)</b>	<b>2 593</b>
<b>Adjusted operating profit</b>			
- Speciality Food Ingredients	149	2	151
- Bulk Ingredients	133	(34)	99
- Central	(35)	–	(35)
<b>Group adjusted operating profit</b>	<b>247</b>	<b>(32)</b>	<b>215</b>
Adjusted net interest expense	(23)	1	(22)
Adjusted profit before tax	224	(31)	193
Adjusted income tax	(48)	5	(43)
Adjusted profit attributable to owners of the company	176	(26)	150
Adjusted diluted earnings per share (pence)	37.7p	(5.5p)	32.2p

<sup>1</sup> Adjusted financial information as defined in notes 2 and 18

<sup>2</sup> Had the transaction taken effect from 1 April 2014