Premier Foods plc

15 May 2018

Premier Foods plc

Preliminary results for the 52 weeks ended 31 March 2018

Key strategic initiatives drive strongest revenue growth for over five years

Headline results	FY17/18	FY16/17	Change (%)
Revenue (£m)	819.2	790.4	+3.6%
Trading profit[1] (£m)	123.0	117.0	+5.1%
Adjusted profit before tax[4] (£m)	78.6	74.2	+5.9%
Adjusted earnings per share[7] (pence)	7.6	7.2	+6.4%
Net debt[9] (£m)	(496.4)	(523.2)	

Other measures	FY17/18	FY16/17	Change (%)
Operating profit (£m)	69.3	61.5	+12.7%
Profit before taxation (£m)	20.9	12.0	+74.2%
Basic earnings per share (pence)	0.9	0.7	+28.6%

Financial Headlines

- Full year revenue up +3.6%; H2 revenue up +5.3%
- Trading profit growth of +5.1% to £123.0m
- Adjusted profit before tax up +5.9% to £78.6m
- Statutory profit before tax up +74.2% to £20.9m; basic earnings per share 0.9 pence
- Net debt £496.4m; a £26.8m reduction on prior year
- Net debt/EBITDA[3] reduced to 3.56x
- Improvement in aggregate pensions surplus to £317.0m
- Ahead of revenue, Trading profit and Net debt market expectations for the full year
- Extended revolving credit facility and launched offering of new £300m 5 year Senior Secured fixed rate notes

Operational Headlines

- International sales[8] increased +25% in full year
- Strategic partnerships with Nissin and Mondelez International delivered 55% of revenue growth
- *Batchelors* now top performing brand in portfolio with revenue up +11%
- Now clear No. 1 market leader in the Group's five main categories

Gavin Darby, Chief Executive Officer

"We are pleased to report revenue growth of +3.6%, our strongest performance for over five years. After a slower start in the first quarter, performance accelerated during the year as planned, with revenue in the second half up +5.3% and +7.0% higher in quarter four."

"Three important drivers of this performance were innovation, our International business and our strategic partnerships with Nissin and Mondelez International. International has been the star performer with sales growing +25%, and are almost double the level of three years ago, while the benefits from our Nissin and Mondelez International partnerships together contributed 55% of our revenue growth."

"The Batchelors brand is now the fastest growing in our portfolio having been turned around from decline three years ago to double-digit growth for the past year. This followed the launch of new products designed to meet consumer trends such as Batchelors Super Noodles pots, which sold over 13 million pots in the past year."

"Trading Profit progress in the year benefitted from this encouraging commercial performance as well as our disciplined focus on cost and efficiency. We reduced Net Debt to less than £500m and are now targeting a Net debt to EBITDA ratio below 3.0x - our initial target level - by March 2020."

"In the year ahead, we expect to make further progress on our key priorities, building on the strong momentum we created in 2017/18."

Non-GAAP measures above are defined on page 11 and reconciled to statutory measures throughout

Net debt/EBITDA is EBITDA on an adjusted basis as defined in the appendices

A presentation to investors and analysts will take place today, 15 May 2018, at 9:00am BST. The presentation will be webcast at www.premierfoods.co.uk/investors/investor-centre. A recording of the webcast will be available on the Company's website later in the day.

A conference call for bond investors and analysts will take place today, 15 May 2018, at 1:30pm BST. Dial in details are outlined below:

Telephone:	0800 376 7922 (UK toll free)
	+44 20 7192 8000 (standard international access)
Conference ID:	2645659

A factsheet of the Preliminary results is available at:
www.premierfoods.co.uk/investors/results-centre

A Premier Foods image gallery is available using the following link:
www.premierfoods.co.uk/media/image-gallery/

For further information, please contact:

Institutional investors and analysts:

Alastair Murray, Chief Financial Officer	+44 (0) 1727 815 850
Richard Godden, Director of Investor Relations & Treasury	+44 (0) 1727 815 850

Media enquiries:

Hannah Collyer, Corporate Affairs Director	+44 (0) 1727 815 850
Maitland	+44 (0) 20 7379 5151
Clinton Manning	
Joanna Davidson	

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Financial results

Revenue

Group revenue (£m)	Grocery	Sweet Treats	Group
Branded	498.3	171.8	670.1
Non-branded	90.9	58.2	149.1
Total	**589.2**	**230.0**	**819.2**
% change			
Branded	3.4%	(3.2%)	1.6%
Non-branded	12.1%	16.9%	13.9%
Total	**4.6%**	**1.2%**	**3.6%**

Group revenue for the 52 weeks ended 31 March 2018 was £819.2m, an increase of 3.6% on the previous year. Branded revenue grew by +1.6% to £670.1m while Non-branded revenue delivered another strong result, up 13.9% to £149.1m. The Group recorded a strong second half of the year in revenue terms, with growth of +5.3% while fourth quarter revenues advanced +7.0%.

Revenues in the Grocery business unit grew by +4.6% in the year to £589.2m; branded revenues advanced +3.4% and Non-branded revenue increased +12.1%. In the Sweet Treats business, revenues were £230.0m, a +1.2% increase on the prior year. Branded revenues were (3.2%) weaker while Non-branded revenues increased by +16.9%. The Group experienced a mix effect on branded cake during the year with higher branded cake sales in the International business unit (reported in the Grocery segment) offset by lower branded cake sales in the UK (reported in the Sweet Treats segment). However branded revenues in Sweet Treats saw an improving trend towards the end of the year, with revenues flat in the fourth quarter.

The Group expected weaker sales in the first quarter, and this proved to be the case, with revenues down (3.1%). However, also as expected, excellent progress followed during the remainder of the year, with average revenue growth for the subsequent three quarters of +5.6%. While the wider consumer environment remains a challenging one, the Group notes the different trends seen between food and non-food sections of the UK consumer goods market, with food sector sales demonstrating stronger trends through the year, particularly in the second half. Additionally, while there has been a clearly demonstrable gap between the rate of general inflation and average earnings over the past year, this has now shown recent signs of narrowing.

The second half of the year brought a stronger and more consistent performance by the Group's brands, with an average of +2.1% revenue growth across its eight largest brands. The fourth quarter was particularly strong, with revenue up +7.0%, as colder weather saw good volume growth compared to the prior year, especially in the Group's Grocery categories.

Batchelors led this growth with increased revenues of +13.0% in H2 and +10.6% in the full year. Three years ago, *Batchelors'* had strong brand metrics (with household penetration of 50% and 30% market share) but revenues were falling by (12%) per annum and the portfolio was in clear need of revitalisation. Since then, utilising the extensive manufacturing and research & development expertise of our strategic partner, Nissin, coupled with the Group's innovation programme informed by its consumer insights, the *Batchelors* range has been substantially updated. Over the last year, the brand has introduced Super Noodles pots and Pasta 'n' Sauce pots in a variety of flavours and these ranges have been instrumental in the brand's growth during FY17/18. For FY18/19, new products to market include Cup a Soup to go and Super Rice & Sauce, both in convenient pot formats, presenting the platform for further progress this year.

Other brands which delivered revenue growth in the year included *Bisto, Oxo, Loyd Grossman* and *Cadbury* cake. These brands have benefitted from new products launched to market during the year, aligned to key consumer trends which the Group outlines as: Health & Nutrition; Snacking/On the go; Convenience and Indulgence. Sales of *Bisto* grew in the year due to mix benefits as consumers increasingly switched to the more premium *Bisto* Best range and *Oxo* also saw increased revenue following the launch of ready to use Stock in pouches. Two of the Group's smaller brands, *Angel Delight* and *Saxa* both benefitted from double-digit revenue progression in the year supported by new ranges such as ready to eat pots and premium product variants respectively.

The improving trend as seen in branded Sweet Treats in the fourth quarter reflected the introduction of new *Mr Kipling* Fruit Slices with lower average calories per slice than the standard slices range and television advertising in the run up to the Easter period.

The Group benefits from two major strategic partnerships; with Nissin Foods Holdings ("Nissin") and Mondelez International. Revenue grew +19% during the year as a result of initiatives with these two key partnerships and they accounted for 55% of the Group's revenue growth in the year. The partnership with Nissin includes their support in developing the *Batchelors* Super Noodles pot product and the sales and distribution of the Soba noodles and Cup Noodles ranges in the UK. The long standing relationship with Mondelez International was extended for a further five years during FY17/18 with an option to extend by a further three. The performance of *Cadbury* cake was again strong in the year, reflecting further growth in Australia. While sales of *Cadbury* cake in the UK were held back partly due to short-term capacity constraints in the year, a focus of capital investment in FY18/19 is set to increase *Cadbury* cake manufacturing capacity to satisfy this raised level of demand.

The International business has enjoyed its third consecutive year of excellent progress, with sales up +25% in the full year and +34% in Q4 on a constant currency basis, while margins also increased. Over this three year period, revenue has increased by 92% and the team has expanded from 9 to 43 people at the year end. International revenue of £61m now accounts for 7.5% of total Group revenue and has grown at a compound annual growth rate of 24% over the last three years.

The stand out performer during the year was Australia, which is now the Group's largest market outside the UK, with revenue growth of +81%. *Cadbury* cake and *Mr Kipling* both continue to be the main contributors to growth, now with a combined market share of nearly 10%, however the Group also entered into its third category in the fourth quarter of the year, with the launch of *Batchelors* Soupa!.

Revenues for the Non-branded parts of the portfolio have grown strongly for the second year in succession and now account for nearly £150m of Group revenue. The constituent parts of the Group's Non-branded business are varied and include seasonal and non-seasonal cake ranges, business to business contracts in Grocery and the Knighton Foods ("Knighton") business. The growth in this area in FY17/18 was broad and reflected contract wins in Grocery, seasonal and non-seasonal cake and increased sales at Knighton.

In overall terms, the Group's Non-branded business is one which plays an important and supportive role and accordingly, there are some key principles the Group employs. These principles are to: deploy low levels of capital investment; support the recovery of manufacturing overheads and apply strict financial hurdles on new contracts.

Trading profit

£m	FY17/18	FY16/17	Change
Divisional contribution[2]			
Grocery	130.0	129.9	0.1%
Sweet Treats	25.8	19.8	30.3%
Total	155.8	149.7	4.1%
Group & corporate costs	(32.8)	(32.7)	(0.4%)
Trading profit	**123.0**	**117.0**	**5.1%**

The Group reported Trading profit of £123.0m in the year; growth of £6.0m compared to FY16/17. Divisional contribution was £6.1m higher than the prior year period at £155.8m. The Grocery business recorded Divisional contribution broadly flat to last year of £130.0m while in Sweet Treats, Divisional contribution increased by £6.0m to £25.8m. Group & corporate costs were in line with the prior year at £32.8m.

Grocery Divisional contribution benefitted from increased sales during the year, as commented above. The Group also experienced material input cost inflation in the early part of FY17/18 from both commodity cost increases and the devaluation of Sterling. The Group takes a blended approach to managing these cost increases, managing its own efficiencies, adjusting promotional mechanics and formats where appropriate and finally looking at limited price increases where these cannot be avoided. The collaborative approach which the Group applies when working with its customers took longer than expected and while this impacted margins in the first half of the year, these returned to more normal levels in the fourth quarter.

The Grocery business unit realised benefits from the completion of the Group's SG&A savings programme in the year, while consumer marketing investment was also lower in the year in total terms, as the Group focused its marketing efforts on only higher return on investment activity.

The results of the International and Knighton business units are consolidated in the results of the Grocery business unit. As outlined above, the International business enjoyed another excellent year and also generated growth in Divisional contribution; its margins being higher than the Group's Sweet Treats business. Knighton's performance in the first half of the year was below that of the comparative period, but improved in the second half of the year.

The group is on track to deliver £10m from its initiatives to increase the efficiency of its manufacturing and logistics operations. The principal activity during the year was the first stage of a major transformation of warehousing and distribution operations. This programme will consolidate all the Group's logistics operations at a single location in Tamworth, central England. The first phase of the transition experienced implementation challenges, but these are now substantially resolved and the second phase of the transition is underway. The logistics element of the overall operational efficiency programme is delivering good savings and return on investment.

In Sweet Treats, Gross profit margins were broadly in line with the prior year, as revenue growth was offset by adverse performances at manufacturing sites. The growth in Divisional contribution of +£6.0m was due to savings from lower levels of SG&A costs following the completion of the Group's SG&A restructuring programme and lower levels of consumer marketing investment compared to FY16/17.

Group and corporate costs were in line with the prior year as the central functions element of SG&A savings from the Group's restructuring programme were offset by costs relating to the resumption of management incentive schemes following non-payment in the prior year. The Group has resumed recruiting with a good balance of both internal promotions and external recruits sourced by a highly effective direct internal team, demonstrating a good return on investment. A new bonus structure for management has been put in place for FY18/19 which is aligned to shareholder interests, designed to incentivise and reward high levels of performance and increase the Group's competitiveness in the employment market.

Operating profit

£m	FY17/18	FY16/17	Change
Adjusted EBITDA[3]	**139.6**	**133.2**	**4.8%**
Depreciation	(16.6)	(16.2)	(2.5%)
Trading profit	**123.0**	**117.0**	**5.1%**
Amortisation of intangible assets	(36.3)	(37.9)	4.2%
Fair value movements on foreign exchange and derivatives	0.1	(1.0)	-
Restructuring costs	(8.5)	(15.8)	46.2%
Net interest on pensions and administrative expenses	(2.5)	(0.8)	-
Operating profit before impairment	75.8	61.5	23.3%
Impairment of goodwill & intangible assets	(6.5)	-	-
Operating profit	**69.3**	**61.5**	**12.7%**

Adjusted EBITDA grew by £6.4m in the year to £139.6m and depreciation was £16.6m, slightly higher than the prior year.

Operating profit increased 12.7% in FY17/18 to £69.3m largely due to a reduction in restructuring costs to £8.5m from £15.8m in the prior year. Restructuring costs in the year primarily related to charges associated with the Group's logistics restructuring programme. An impairment charge of £6.5m in the year related to the write off of goodwill at Knighton Foods and the write off of Lyons' cakes intangible brand asset.

Amortisation of intangible assets was slightly lower in the year, at £36.3m, and net interest on pensions and administrative expenses was £2.5m in FY17/18, £1.7m higher than the prior year. This comprised administrative expenses incurred of £5.5m, partly offset by a net interest credit of £3.0m owing to an opening combined pension schemes surplus.

Finance costs

£m	FY17/18	FY16/17	Change
Senior secured notes interest	32.2	30.6	(5.2%)
Bank debt interest	7.2	8.1	11.1%
	39.4	38.7	(2.1%)
Amortisation of debt issuance costs	5.0	4.1	(22.0%)
Net regular interest[5]	**44.4**	**42.8**	**(3.6%)**
Fair value movements on interest rate financial instruments	(0.4)	(0.6)	32.7%
Write-off of financing costs	4.0	0.1	-
Discount unwind	(0.4)	5.6	-
Other interest	0.8	1.6	50.0%
Net finance cost	**48.4**	**49.5**	**2.4%**

Net finance cost was £48.4m for the year; £1.1m and 2.4% lower than FY16/17. Net regular interest in FY17/18 was £44.4m, an increase of £1.6m although slightly lower than management expectations. The largest component of finance costs was interest due to holders of the Group's senior secured notes of £32.2m. Bank debt interest of £7.2m was £0.9m lower in the period due to lower levels of average debt and slightly lower LIBOR levels in the first half of the year compared to the prior period. Amortisation of debt issuance costs was £5.0m.

In the prior year, a £5.6m discount unwind charge relating to long term property provisions held by the Group due to a reduction in gilt yields was reflected in the reported Net finance cost of £49.5m. In the current period, an increase in gilt yields resulted in a benefit of £0.4m. Write-off of financing costs of £4.0m in the first year related to the write off of transaction costs associated with the issue in 2014 of six year senior secured floating rate notes due March 2020, which were repaid during the period.

Taxation

£m	FY17/18	FY16/17	Change
Overseas current tax			
- Current year	0.8	-	**0.8**
Deferred tax			
- Current period	(4.1)	(6.4)	2.3
- Prior periods	(8.1)	1.1	(9.2)
- Adjustment to restate opening deferred tax at 17.0%	(2.3)	(1.2)	(1.1)
Income tax charge	**(13.7)**	**(6.5)**	**(7.2)**

A tax charge of £13.7m in the year compared to a £6.5m in the prior year. The £13.7m charge included a current period charge of £4.1m, a prior period charge of £8.1m and an adjustment to restate opening deferred tax of £2.3m. The current period charge included a tax charge at 19.0% on profit before tax of £20.9m and adjustments to prior periods of £8.1m relates to prior period losses which have been reviewed as part of the submission of returns.

A deferred tax liability at 31 March 2018 of £12.1m compared to a deferred tax asset of £32.4m at 1 April 2017. This movement primarily reflects a higher pensions surplus reported at 31 March 2018 compared to 1 April 2017.

Earnings per share

Earnings per share (£m)	FY17/18	FY16/17	Change
Operating profit	69.3	61.5	7.8
Net finance cost	(48.4)	(49.5)	1.1
Profit before taxation	**20.9**	**12.0**	**8.9**
Taxation	(13.7)	(6.5)	(7.2)
Profit after taxation	7.2	5.5	1.7
Average shares in issue	836.8	830.1	(6.7)
Basic earnings per share (pence)	**0.9**	**0.7**	**0.2**

The Group reported a profit before tax of £20.9m in the year, compared to a profit before tax of £12.0m in the comparative period. Profit after tax was £7.2m, a £1.7m increase on the prior year. This resulted in basic earnings per share of 0.9 pence, an increase of 0.2 pence on the prior year.

Adjusted earnings per share (£m)	FY17/18	FY16/17	Change
Trading profit	123.0	117.0	6.0
Less: Net regular interest	(44.4)	(42.8)	(1.6)
Adjusted profit before tax[4]	**78.6**	**74.2**	**4.4**
Less: Notional tax (19%/20%)	(14.9)	(14.8)	(0.1)
Adjusted profit after tax[6]	63.7	59.4	4.3
Average shares in issue (millions)	836.8	830.1	(6.7)
Adjusted earnings per share[7] (pence)	**7.6**	**7.2**	**0.4**

Adjusted profit before tax was £78.6m in FY17/18, an increase of £4.4m in the year, as the increase in Trading profit in the year of £6.0m was partially offset by higher interest costs as described above. Adjusted profit after tax was £63.7m in the year after deducting a notional 19.0% tax charge of £14.9m. This was an increase of £4.3m compared to the prior year. Based on average shares in issue of 836.8 million shares, adjusted earnings per share in the period was 7.6 pence, a +6.4% increase on the previous year.

Free cash flow

£m	FY17/18	FY16/17
Trading profit	123.0	117.0
Depreciation	16.6	16.2
Other non-cash items	2.8	4.3
Interest	(38.0)	(39.8)
Taxation	1.0	-
Pension contributions	(39.8)	(51.7)
Capital expenditure	(19.2)	(20.9)
Working capital & other	(0.6)	4.7
Restructuring costs	(12.5)	(13.7)
Purchase of own shares	-	(1.1)
Proceeds from share issue	1.2	0.1
Sale of property, plant & equipment	1.3	-
Financing fees	(7.0)	-
Free cash flow[10]	**28.8**	**15.1**
Statutory cash flow statement		
Cash generated from operating activities	52.4	37.0
Cash used in investing activities	(17.9)	(20.9)
Cash generated from/(used in) financing activities	7.2	(42.0)
Net increase/(decrease) in cash & cash equivalents	**41.7**	**(25.9)**

The Group reported Free cash flow in the year of £28.8m. Trading profit of £123.0m was £6.0m ahead of the prior year for the reasons outlined above, while depreciation was broadly in line with FY16/17. Interest paid in the year was £38.0m due to lower levels of average debt during the year. A taxation credit of £1.0m was received in the period from Irish tax authorities in respect of tax paid in prior years. Pension contributions in the year were £39.8m, in line with expectations, and a reduction of £11.9m from the prior year, principally due to the re-negotiation of deficit contributions to the Group's pension schemes announced in March 2017. Capital expenditure was £1.7m lower in the period at £19.2m; the Group's expectations for the coming year are for investment of no more than £22m, and a return to a more equal balanced weighting across efficiency, growth and maintenance projects after a year more weighted to maintenance. Restructuring costs associated with redundancies relating to the Group's cost reduction and efficiency programmes and implementation costs associated with the Group's logistics transformation programme together amounted to £12.5m, £1.2m lower than the prior year. Financing fees of £7.0m relate to costs associated with the extension of the Group's revolving credit facility and the issue of new £210m Senior secured floating rate notes early in the financial year.

On a statutory basis, cash generated from operations was £89.4m compared to £76.8m in FY16/17. This was primarily due to lower pension deficit contributions, and an increase in Operating profit, as described above. Cash generated from operating activities was £52.4m in the year after deducting net interest paid of £38.0m and taxation received of £1.0m. Cash used in investing activities was (£17.9m) in the year compared to (£20.9m) in FY16/17. Cash generated from financing activities was £7.2m in FY17/18 compared to cash used of £42.0m in the prior year. This was principally due to proceeds from borrowings of £210.0m which reflected the issue of new Senior secured floating rate notes, the repayment of the 2014 £175.0m Senior secured floating rate notes and the associated reduction in the Group's revolving credit facility.

At 31 March 2018, the Group held cash and bank deposits of £23.6m.

Net debt and sources of finance

	£m
Net debt at 1 April 2017	**523.2**
Free cash inflow in period	(28.8)
Movement in debt issuance costs	2.0
Net debt at 31 March 2018	**496.4**
Adjusted EBITDA	139.6
Net debt / EBITDA	**3.56x**

Net debt at 31 March 2018 was £496.4m; a £26.8m reduction compared to the prior year. The movement in debt issuance costs in the period was £2.0m.

In the first half of the year, the Group extended the term of its revolving credit facility with its lending syndicate from March 2019 to December 2020. The total facility, which was undrawn at 31 March 2018, reduced from £272m to £217m in June 2017.

The Group also completed the issuance of new five year £210m Senior Secured floating rate notes due July 2022, at a coupon of 5.00% +LIBOR during the first half of the year. This new note replaced the Group's £175m Senior Secured floating rate notes, previously due to mature March 2020.

The Group has today announced the proposed issue of new five year £300m Senior Secured fixed rate notes due 2023, to refinance its £325m existing Senior Secured fixed rate notes, due to mature March 2021. Pricing of the new £300m Senior Secured fixed rate notes is to be confirmed and the notes are expected to be callable after two years. The Group's £210m Senior Secured floating rate notes ("FRN") which attract a coupon of 5.0% + LIBOR, mature in July 2022, and there are no plans to call or refinance these notes at this time.

The Group has also extended the term of its revolving credit facility with its lending syndicate from December 2020 to December 2022, effective on the redemption of the existing Senior Secured fixed rate notes, and subject to a future refinancing of the Group's FRN. The £217m facility, which was not drawn at 31 March 2018, will reduce by £41m to £176m. The interest margin under the revolving credit facility will reduce by twenty five basis points and the financial covenants, which are tested bi-annually, are unchanged.

Pensions

IAS 19 Accounting Valuation (£m)	**31 March 2018**			**1 April 2017**		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,184.5	679.1	4,863.6	4,190.9	673.7	4,864.6
Liabilities	(3,430.5)	(1,116.1)	(4,546.6)	(3,597.0)	(1,162.8)	(4,759.8)
Surplus/(Deficit)	**754.0**	**(437.0)**	**317.0**	**593.9**	**(489.1)**	**104.8**
Net of deferred tax (17.0%)	625.8	(362.7)	263.1	493.0	(406.0)	87.0

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 31 March 2018 of £317.0m, equivalent to £263.1m net of a deferred tax charge of

17.0%. This compares to a combined RHM and Premier Foods' schemes surplus at 1 April 2017 of £104.8m and £87.0m net of deferred tax. A deferred tax rate of 17.0% is deducted from the IAS19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax.

The valuation at 31 March 2018 comprised a £754.0m surplus in respect of the RHM schemes and a deficit of £437.0m in relation to the Premier Foods schemes. Assets in the combined schemes were just £1.0m lower than the same point last year at £4,863.6m. RHM scheme assets decreased by £6.4m to £4,184.5m while the Premier Foods' schemes assets increased by £5.4m.

Liabilities in the combined schemes decreased by £213.2m in the year to £4,546.6m. The value of liabilities associated with the RHM scheme were £3,430.5m, a reduction of £166.5m while liabilities in the Premier Foods schemes were £46.7m lower at £1,116.1m. The reduction in the value of liabilities in both schemes is due to a slight increase in the discount rate assumption, from 2.65% to 2.70% and a reduction in the inflation rate assumption; from 3.3% to 3.15%.

Combined pensions schemes (£m)	**31 March 2018**	1 April 2017
Assets		
Equities	**296.5**	527.0
Government bonds	**1,046.4**	519.1
Corporate bonds	**20.7**	23.0
Property	**391.0**	357.4
Absolute return products	**1,323.3**	1,284.2
Cash	**32.4**	69.1
Infrastructure funds	**254.6**	242.6
Swaps	**715.3**	1,116.1
Private equity	**344.0**	321.7
Other	**439.4**	404.4
Total Assets	**4,863.6**	4,864.6
Liabilities		
Discount rate	**2.70%**	2.65%
Inflation rate (RPI/CPI)	**3.15%/2.05%**	3.3%/2.2%

The net present value of future deficit payments, to the end of the respective recovery periods remains at c.£300-320m.

Outlook

The Group's strategy is to drive profitable revenue growth and deliver cost efficiencies to generate cash. Accordingly, its focus is on achieving an initial leverage target of below 3.0x Net debt/EBITDA. The Group now expects to reach this milestone by March 2020 through a combination of profit improvement and net debt reduction.

In the UK, a core objective for the Group continues to be the delivery of growth through innovation and realising benefits from its increasingly important strategic partnerships. Plans are in place this year to increase consumer marketing investment, invest in our colleagues and deliver savings from our cost efficiency programmes. The Group expects the International business to continue to deliver strong double-digit growth over the medium term. This year the Group expects to make further balanced progress in all its key priorities; weighted to the second half, and building on the strong momentum created in FY17/18.

Appendices

The Company's results are presented for the 52 weeks ended 31 March 2018 and the comparative period, 52 weeks ended 1 April 2017. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 31 March 2018 and the comparative period, 13 weeks ended 1 April 2017.

Quarter 4 Sales

Q4 Sales (£m)	Grocery	Sweet Treats	Group
Branded	129.5	43.7	173.2
Non-branded	24.0	7.2	31.2
Total	**153.5**	**50.9**	**204.4**
% change			
Branded	+7.8%	(0.3%)	+5.6%
Non-branded	+18.5%	+5.1%	+15.3%
Total	**+9.4%**	**+0.5%**	**+7.0%**

Notes and definitions of Non-GAAP measures

The Company uses a number of non-GAAP measures to measure and assess the financial performance of the business. The Directors believe that these non-GAAP measures assist in providing additional useful information on the underlying trends, performance and position of the Group. These non-GAAP measures are used by the Group for reporting and planning purposes and it considers them to be helpful indicators for investors to assist them in assessing the strategic progress of the Group.

1. Trading profit is defined as profit/(loss) before tax before net finance costs, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses.
2. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
3. Adjusted EBITDA is Trading profit as defined in (1) above excluding depreciation.
4. Adjusted profit before tax is Trading profit as defined in (1) above less net regular interest.
5. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2016/17: 20.0%).
7. Adjusted earnings per share is Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 836.8million (52 weeks ended 1 April 2017: 830.1million).
8. International sales remove the impact of foreign currency fluctuations and adjusts prior year sales to ensure comparability in geographic market destinations. The constant currency calculation is made by adjusting the current year's sales to the same exchange rate as the prior year.
9. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
10. Free cash flow is defined as the change in Net debt as defined in (9) above before the movement in debt issuance costs.
11. References to 'Underlying results' in previous financial periods have been removed as there are no adjustments required to be made to statutory results for FY17/18 or FY16/17.

Additional notes:

- Group & corporate costs refer to group and corporate expenses which are not directly attributable to a business unit and are reported at total Group level.
- In line with accounting standards, the International and Knighton business units, the results of which are aggregated within the Grocery business unit, are not required to be separately disclosed for reporting purposes.

£m	Future pension cash payments schedule				
	2018/19	2019/20	2020/21	2021/22	2022/23
Deficit contributions	35	37	38	38	38
Administration costs	6-8	6-8	8-10	8-10	8-10
Total	**41-43**	**43-45**	**46-48**	**46-48**	**46-48**

Consolidated statement of profit or loss

	Note	**52 weeks ended 31 Mar 2018 £m**	52 weeks ended 1 Apr 2017 £m
Revenue	3	**819.2**	790.4
Cost of sales		**(547.5)**	(513.5)
Gross profit		**271.7**	276.9
Selling, marketing and distribution costs		**(115.9)**	(127.2)
Administrative costs		**(86.5)**	(88.2)
Operating profit		**69.3**	61.5
Operating profit before impairment		**75.8**	61.5
Impairment of goodwill		**(4.3)**	-
Impairment of intangible assets		**(2.2)**	-
Finance cost	4	**(50.4)**	(51.6)
Finance income	4	**1.6**	1.5
Net movement on fair valuation of interest rate financial instruments	4	**0.4**	0.6
Profit before taxation		**20.9**	12.0
Taxation charge	5	**(13.7)**	(6.5)
Profit for the period attributable to owners of the parent		**7.2**	5.5
Basic earnings per share			
From profit for the year	6	**0.9**	0.7
Diluted earnings per share			
From profit for the year	6	**0.9**	0.7
Adjusted earnings per share[1]			
From adjusted profit for the year	6	**7.6**	7.2

[1] Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2016/17: 20.0%) divided by the weighted average number of ordinary shares of the Company.

Consolidated statement of comprehensive income

	Note	**52 weeks ended 31 Mar 2018 £m**	52 weeks ended 1 Apr 2017 £m
Profit for the period		**7.2**	5.5
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	9	**174.8**	(76.6)
Deferred tax (charge)/credit	5	**(29.7)**	14.9
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**0.5**	(1.1)
Other comprehensive income/(loss), net of tax		**145.6**	(62.8)
Total comprehensive income/(loss) attributable to owners of the parent		**152.8**	(57.3)

Consolidated balance sheet

	Note	As at 31 Mar 2018 £m	As at 1 Apr 2017 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		**185.2**	187.5
Goodwill		**646.0**	650.3
Other intangible assets		**428.4**	464.0
Net retirement benefit assets	9	**754.0**	593.9
Deferred tax assets	5	**-**	32.4
		2,013.6	1,928.1
Current assets			
Inventories		**76.4**	71.3
Trade and other receivables		**74.8**	65.1
Cash and cash equivalents	11	**23.6**	3.1
Derivative financial instruments		**0.1**	0.1
		174.9	139.6
Total assets		**2,188.5**	2,067.7
LIABILITIES:			
Current liabilities			
Trade and other payables		**(214.4)**	(191.7)
Financial liabilities			
– short term borrowings	7	**-**	(21.3)
– derivative financial instruments		**(2.1)**	(2.9)
Provisions for liabilities and charges	8	**(7.9)**	(10.0)
Current income tax liabilities		**-**	(0.7)
		(224.4)	(226.6)
Non-current liabilities			
Financial liabilities – long term borrowings	7	**(520.0)**	(505.0)
Net retirement benefit obligations	9	**(437.0)**	(489.1)
Provisions for liabilities and charges	8	**(35.7)**	(43.1)
Deferred tax liabilities	5	**(12.1)**	-
Other liabilities	10	**(10.0)**	(11.1)
		(1,014.8)	(1,048.3)
Total liabilities		**(1,239.2)**	(1,274.9)
Net assets		**949.3**	792.8
EQUITY:			
Capital and reserves			
Share capital		**84.1**	83.3
Share premium		**1,407.6**	1,406.7
Merger reserve		**351.7**	351.7
Other reserves		**(9.3)**	(9.3)
Profit and loss reserve		**(884.8)**	(1,039.6)
Total equity		**949.3**	792.8

Consolidated statement of cash flows

	Note	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Cash generated from operations	11	**89.4**	76.8
Interest paid		**(39.6)**	(41.3)
Interest received		**1.6**	1.5
Taxation received		**1.0**	-
Cash generated from operating activities		**52.4**	37.0
Purchases of property, plant and equipment		**(15.8)**	(15.1)
Purchases of intangible assets		**(3.4)**	(5.8)
Sale of property, plant and equipment		**1.3**	-
Cash used in investing activities		**(17.9)**	(20.9)
Repayment of borrowings		**(197.0)**	(34.6)
Proceeds from borrowings		**210.0**	-
Movement in securitisation funding programme		**-**	(6.4)
Financing fees		**(7.0)**	-
Proceeds from share issue		**1.2**	0.1
Purchase of shares to satisfy share awards		**-**	(1.1)
Cash generated from/(used) in financing activities		**7.2**	(42.0)
Net increase/(decrease) in cash and cash equivalents		**41.7**	(25.9)
Cash, cash equivalents and bank overdrafts at beginning of period		**(18.1)**	7.8
Cash, cash equivalents and bank overdrafts at end of period	11	**23.6**	(18.1)

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total equity £m
At 3 April 2016		82.7	1,406.6	351.7	(9.3)	(979.3)	(3.9)	848.5
Profit for the period		-	-	-	-	5.5	-	5.5
Remeasurements of defined benefit schemes	9	-	-	-	-	(76.6)	-	(76.6)
Deferred tax credit	5	-	-	-	-	14.9	-	14.9
Exchange differences on translation		-	-	-	-	(1.1)	-	(1.1)
Other comprehensive income		-	-	-	-	(62.8)	-	(62.8)
Total comprehensive income		-	-	-	-	(57.3)	-	(57.3)
Shares issued		0.6	0.1	-	-	-	-	0.7
Share-based payments		-	-	-	-	4.5	-	4.5
Purchase of shares to satisfy share awards		-	-	-	-	(1.1)	-	(1.1)
Adjustment for issue of share options		-	-	-	-	(0.6)	-	(0.6)
Deferred tax movements on share-based payments	5	-	-	-	-	(1.9)	-	(1.9)
Movement in non-controlling interest		-	-	-	-	(3.9)	3.9	-
At 1 April 2017		83.3	1,406.7	351.7	(9.3)	(1,039.6)	-	792.8
At 2 April 2017		**83.3**	**1,406.7**	**351.7**	**(9.3)**	**(1,039.6)**	**-**	**792.8**
Profit for the period		**-**	**-**	**-**	**-**	**7.2**	**-**	**7.2**
Remeasurements of defined benefit schemes	9	**-**	**-**	**-**	**-**	**174.8**	**-**	**174.8**
Deferred tax charge	5	**-**	**-**	**-**	**-**	**(29.7)**	**-**	**(29.7)**
Exchange differences on translation		**-**	**-**	**-**	**-**	**0.5**	**-**	**0.5**
Other comprehensive income		**-**	**-**	**-**	**-**	**145.6**	**-**	**145.6**
Total comprehensive income		**-**	**-**	**-**	**-**	**152.8**	**-**	**152.8**
Shares issued		**0.8**	**0.9**	**-**	**-**	**-**	**-**	**1.7**
Share-based payments		**-**	**-**	**-**	**-**	**2.8**	**-**	**2.8**
Adjustment for issue of share options		**-**	**-**	**-**	**-**	**(0.5)**	**-**	**(0.5)**
Deferred tax movements on share-based payments	5	**-**	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
At 31 March 2018		**84.1**	**1,407.6**	**351.7**	**(9.3)**	**(884.8)**	**-**	**949.3**

1. General information

The financial information included in this preliminary announcement does not constitute the Company's statutory accounts for the 52 weeks ended 31 March 2018 and 1 April 2017, but is derived from those accounts. Statutory accounts for the 52 weeks ended 1 April 2017 have been delivered to the registrar of companies, and those for 52 weeks ended 31 March 2018 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention to by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) ("adopted IFRS") in response to IAS regulation (EC1606/2002), related interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, and on the historical cost basis, with the exception of derivative financial instruments which are incorporated using fair value.

Basis for preparation of financial statements on a going concern basis

The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants, as detailed in note 7. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw funding to the Group. The Group was in compliance with its covenant tests as at 30 September 2017 and 31 March 2018. The Group's forecasts, taking into account reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current facilities including covenant tests. Notwithstanding the net current liabilities position of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2. Critical accounting policies, estimates and judgements

The following are areas of particular significance to the Group's financial statements and include the use of estimates, which is fundamental to the compilation of a set of financial statements. Results may differ from actual amounts.

2.1 Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members. Each of the underlying assumptions is set out in more detail in note 9.

At each reporting date, and on a continuous basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IAS 19 (Revised).

Plan assets of the defined benefit schemes include a number of assets for which quoted prices are not available. At each reporting date, the group determines the fair value of these assets with reference to most recently available asset statements from fund managers.

2.2 Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. In performing its impairment analysis, the Group takes into consideration these indicators including the difference between its market capitalisation and net assets.

The Group reviews its identified CGUs for the purposes of testing goodwill on an annual basis, taking into consideration whether assets generate independent cash inflows. The recoverable amounts of CGUs are determined based on the higher of fair value less costs of disposal and value in use calculations. These calculations require the use of estimates.

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the value in use calculations of the CGUs carrying values for the purposes of testing goodwill.

Acquired brands, trademarks and licences are considered to have finite lives that range from 20 to 40 years for brands and trademarks and 10 years for licences. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement. The brands, trademarks and licences are deemed to be individual CGUs.

2.3 Commercial arrangements

Sales rebates and discounts are accrued on each relevant promotion or customer agreement and are charged to the statement of profit or loss at the time of the relevant promotional buy-in as a deduction from revenue. Accruals for each individual promotion or rebate arrangement are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and timing of the promotion is typically known. Areas of estimation are sales volume/activity, phasing and the amount of product sold on promotion.

For short term promotions, the Group performs a true up of estimates where necessary on a monthly basis, using real time sales information where possible and finally on receipt of a customer claim which typically follows 1-2 months after the end of a promotion. For longer term discounts and rebates the Group uses actual and forecast sales to estimate the level of rebate. These accruals are updated monthly based on latest actual and forecast sales.

Expenditure on advertising is charged to the statement of profit or loss when incurred, except in the case of airtime costs when a particular campaign is used more than once. In this case they are charged in line with the airtime profile.

Judgements, apart from those involving estimation as above, do not have a significant impact on the financial statements.

3. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Executive Leadership Team as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group's operating segments are defined as "Grocery", "Sweet Treats", "International" and "Knighton". The Grocery segment primarily sells savoury ambient food products and the Sweet Treats segment sells sweet ambient food products. The International and Knighton segments have been aggregated within the Grocery segment for reporting purposes as revenue is below 10 percent of the Group's total revenue and the segments are considered to have similar characteristics to that of Grocery. This is in accordance with the criteria set out in IFRS 8.

The CODM uses Divisional contribution as the key measure of the segments' results. Divisional contribution is defined as gross profit after selling, marketing and distribution costs. Divisional contribution is a consistent measure within the Group and reflects the segments' underlying trading performance for the period under evaluation.

The Group uses trading profit to review overall Group profitability. Trading profit is defined as profit/loss before tax before net finance costs, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs and net interest on pensions and administrative expenses.

The segment results for the period ended 31 March 2018 and for the period ended 1 April 2017 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	52 weeks ended 31 Mar 2018			52 weeks ended ended 1 Apr 2017		
	Grocery	**Sweet Treats**	**Total**	Grocery	Sweet Treats	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**589.2**	**230.0**	**819.2**	563.1	227.3	790.4
Divisional contribution	**130.0**	**25.8**	**155.8**	129.9	19.8	149.7
Group and corporate costs			**(32.8)**			(32.7)
Trading profit			**123.0**			117.0
Amortisation of intangible assets			**(36.3)**			(37.9)
Fair value movements on foreign exchange and other derivative contracts			**0.1**			(1.0)
Restructuring costs			**(8.5)**			(15.8)
Net interest on pensions and administrative expenses			**(2.5)**			(0.8)
Operating profit before impairment			**75.8**			61.5
Impairment of goodwill and intangible assets			**(6.5)**			-
Operating profit			**69.3**			61.5
Finance cost			**(50.4)**			(51.6)
Finance income			**1.6**			1.5
Net movement on fair valuation of interest rate financial instruments			**0.4**			0.6
Profit before taxation			**20.9**			12.0
Depreciation	**(8.5)**	**(8.1)**	**(16.6)**	(7.7)	(8.5)	(16.2)

The Group primarily supplies the UK market, although it also supplies certain products to other countries in Europe and the rest of the world. The following table provides an analysis of the Group's revenue, which is allocated on the basis of geographical market destination, and an analysis of the Group's non-current assets by geographical location.

Revenue

	52 weeks ended 31 Mar 2018	52 weeks ended 1 Apr 2017
	£m	£m
United Kingdom	**758.1**	745.7
Other Europe	**27.6**	21.9
Rest of world	**33.5**	22.8
Total	**819.2**	790.4

Non-current assets

	As at 31 Mar 2018	As at 1 Apr 2017
	£m	£m
United Kingdom	**2,013.6**	1,928.1

4. Finance income and costs

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Interest payable on bank loans and overdrafts	**(7.8)**	(5.3)
Interest payable on senior secured notes	**(32.2)**	(30.6)
Interest payable on revolving facility	**(1.1)**	(3.4)
Interest receivable/(payable) on interest rate derivatives	**0.1**	(0.9)
Other interest payable[1]	**(0.4)**	(7.2)
Amortisation of debt issuance costs	**(5.0)**	(4.1)
	(46.4)	(51.5)
Write off of financing costs[2]	**(4.0)**	(0.1)
Total finance cost	**(50.4)**	(51.6)
Interest receivable on bank deposits	**1.6**	1.5
Total finance income	**1.6**	1.5
Movement on fair valuation of interest rate derivative financial instruments	**0.4**	0.6
Net movement on fair valuation of interest rate financial instruments	**0.4**	0.6
Net finance cost	**(48.4)**	(49.5)

[1]Included in other interest payable is £0.4m credit (2016/17: £5.6m charge) relating to the unwind of the discount on certain of the Group's long term provisions.

[2] Relates to the refinanacing of the floating rate note and extension of the revolving credit facility in the 52 weeks ended 31 March 2018.

The net movement on fair valuation of interest rate financial instruments relates to a £0.4m favourable movement on close out of the interest rate swaps, which expired in December 2017 (2016/17: £0.6m favourable).

5. Taxation

Current tax

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Overseas current tax		
- Current year	**0.8**	-
Deferred tax		
- Current period	**(4.1)**	(6.4)
- Prior periods	**(8.1)**	1.1
- Adjustment to restate opening deferred tax at 17.0%	**(2.3)**	(1.2)
Income tax charge	**(13.7)**	(6.5)

As a result of the 2015 Finance Act provision to reduce the UK corporation tax rate from 20% to 19% from 1 April 2017, the applicable rate of corporation tax for the period is 19%. As a result of the 2016 Finance Act provision to reduce the UK corporation tax rate to 17% from 1 April 2020, deferred tax balances have been stated at 17%, the rate at which they are expected to reverse.

Tax relating to items recorded in other comprehensive income included:

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Deferred tax credit on reduction of corporate tax rate	**-**	1.6
Deferred tax credit on losses	**4.1**	8.4
Deferred tax (charge)/credit on pension movements	**(33.8)**	4.9
	(29.7)	14.9

The tax charge for the period differs from the standard rate of corporation tax in the United Kingdom of 19.0% (2016/17: 20.0%). The reasons for this are explained below:

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Profit before taxation	**20.9**	12.0
Tax charge at the domestic income tax rate of 19.0% (2016/17: 20.0%)	**(4.0)**	(2.4)
Tax effect of:		
Non-deductible items	**(0.1)**	(1.0)
Other disallowable items	**(0.4)**	-
Impairment of goodwill	**(0.8)**	-
Adjustment for share-based payments	**(0.6)**	(0.9)
Adjustment due to current period deferred tax being provided at 17.0% (2016/17: 17.0%)	**0.7**	0.3
Movements in losses recognised	**1.1**	(2.5)
Adjustment to restate opening deferred tax at 17.0% (2016/17: 17.0%)	**(2.3)**	(1.1)
Adjustments to prior periods	**(8.1)**	1.1
Current tax relating to overseas business	**0.8**	-
Income tax charge	**(13.7)**	(6.5)

The movements in losses recognised for the 52 weeks ended 31 March 2018 of £1.1m (2016/17: £(2.5m)) relates to the reduction in the amount of corporation tax losses not recognised. Corporation tax losses are not recognised where their future recoverability is uncertain.

The adjustments to prior periods of £8.1m (2016/17: £1.1m) relates to prior period losses which have been reviewed as part of the submission of returns.

The adjustment to restate opening deferred tax at 17% of £(2.3m) (2016/17: £(1.1m)) relates to restating losses which were provided at 17.7% in 2016/17.

Deferred tax

Deferred tax is calculated in full on temporary differences using the tax rate appropriate to the jurisdiction in which the asset/(liability) arises and the tax rates that are expected to apply in the periods in which the asset or liability is settled. In all cases this is 17.0% (2016/17: 17.0%). In 2016/17 an asset of £56.8m relating to corporation tax losses was calculated using a rate of 17.7%.

	2017/18 £m	2016/17 £m
At 2 April 2017 / 3 April 2016	**32.4**	25.9
Charged to the statement of profit or loss	**(14.5)**	(6.5)
(Charged)/credited to other comprehensive income	**(29.7)**	14.9
Charged to equity	**(0.3)**	(1.9)
At 31 March 2018 / 1 April 2017	**(12.1)**	32.4

In 2016/17 the Group recognised a deferred tax asset based on future taxable profits, derived from the latest Board approved forecasts.

The Group has not recognised deferred tax assets of £2.2m (2016/17: £2.6m) relating to UK corporation tax losses as the future recoverability of these losses is not certain. In addition the Group has not recognised a tax asset of £34.8m (2016/17: £34.8m) relating to ACT and £42.1m (2016/17: £46.2m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

Deferred tax liabilities	**Intangibles**	**Retirement benefit obligation**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
At 3 April 2016	(61.4)	(23.8)	(0.2)	(85.4)
Current period credit/(charge)	1.8	(0.3)	-	1.5
Credited to other comprehensive income	-	4.9	-	4.9
Prior period credit/(charge)				
- To statement of profit or loss	3.4	(0.3)	-	3.1
- To other comprehensive income	-	1.6	-	1.6
At 1 April 2017	**(56.2)**	**(17.9)**	**(0.2)**	**(74.3)**
At 2 April 2017	**(56.2)**	**(17.9)**	**(0.2)**	**(74.3)**
Current period credit/(charge)	**1.9**	**(2.1)**	**-**	**(0.2)**
Charged to other comprehensive income	**-**	**(33.8)**	**-**	**(33.8)**
Prior period credit				
- To statement of profit or loss	**0.1**	**-**	**-**	**0.1**
At 31 March 2018	**(54.2)**	**(53.8)**	**(0.2)**	**(108.2)**

Deferred tax assets	**Accelerated tax depreciation**	**Share based payments**	**Financial instruments**	**Losses**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 3 April 2016	33.6	2.8	2.0	70.5	2.4	111.3
Current period credit/(charge)	4.7	0.6	(1.8)	(10.2)	(1.2)	(7.9)
Credited to other comprehensive income	-	-	-	8.4	-	8.4
Charged to equity	-	(1.8)	-	-	-	(1.8)
Prior period credit/(charge)						
- To statement of profit or loss	9.1	(0.1)	(0.2)	(11.9)	(0.1)	(3.2)
- To equity	-	(0.1)	-	-	-	(0.1)
At 1 April 2017	**47.4**	**1.4**	**-**	**56.8**	**1.1**	**106.7**
At 2 April 2017	**47.4**	**1.4**	**-**	**56.8**	**1.1**	**106.7**
Current period credit/(charge)	**3.0**	**(0.1)**	**-**	**(3.7)**	**(3.1)**	**(3.9)**
Credited to other comprehensive income	**-**	**-**	**-**	**4.1**	**-**	**4.1**
Charged to equity	**-**	**(0.3)**	**-**	**-**	**-**	**(0.3)**
Prior period (charge)/credit						
- To statement of profit or loss	**(2.1)**	**-**	**-**	**(14.6)**	**6.2**	**(10.5)**
At 31 March 2018	**48.3**	**1.0**	**-**	**42.6**	**4.2**	**96.1**

Net deferred tax (liability)/asset	**£m**
As at 31 March 2018	**(12.1)**
As at 1 April 2017	32.4

Where there is a legal right of offset and an intention to settle as such, deferred tax assets and liabilities may be presented on a net basis. This is the case for most of the Group's deferred tax balances and therefore they have been offset in the tables above. Substantial elements of the Group's deferred tax assets and liabilities, primarily relating to the defined benefit pension obligation, are greater than one year in nature.

6. Earnings per share

Basic earnings per share has been calculated by dividing the profits attributable to owners of the parent of £7.2m (2016/17: £5.5m) by the weighted average number of ordinary shares of the Company.

Weighted average shares

	2017/18 Number (000s)	2016/17 Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**836,818**	830,059
Effect of dilutive potential ordinary shares:		
- Share options	**4,872**	9,875
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**841,690**	839,934

Earnings per share calculation

	52 weeks ended 31 Mar 2018			52 weeks ended 1 Apr 2017		
	Basic	**Dilutive effect of share options**	**Diluted**	Basic	Dilutive effect of share options	Diluted
Profit after tax (£m)	**7.2**		**7.2**	5.5		5.5
Earnings per share (pence)	**0.9**	**0.0**	**0.9**	0.7	0.0	0.7

Dilutive effect of share options

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The only dilutive potential ordinary shares of the Company are share options and share awards. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the share awards and the subscription rights attached to the outstanding share options.

No adjustment is made to the profit or loss in calculating basic and diluted earnings per share.

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2016/17: 20.0%) divided by the weighted average number of ordinary shares of the Company.

Net regular interest is defined as net finance costs after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest.

Trading profit and Adjusted EPS have been reported as the directors believe these assist in providing additional useful information on the underlying trends, performance and position of the Group.

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017
Trading profit	**123.0**	117.0
Less net regular interest	**(44.4)**	(42.8)
Adjusted profit before tax	**78.6**	74.2
Notional tax at 19.0% (2016/17: 20%)	**(14.9)**	(14.8)
Adjusted profit after tax	**63.7**	59.4
Average shares in issue (m)	**836.8**	830.1
Adjusted EPS (pence)	**7.6**	7.2
Net regular interest		
Net finance cost	**(48.4)**	(49.5)
Exclude fair value movements on interest rate financial instruments	**(0.4)**	(0.6)
Exclude write-off of financing costs	**4.0**	0.1
Exclude other interest	**0.4**	7.2
Net regular interest	**(44.4)**	(42.8)

7. Bank and other borrowings

	As at 31 Mar 2018 £m	As at 1 Apr 2017 £m
Current:		
Bank overdrafts	**-**	(21.2)
Finance lease obligations	**-**	(0.1)
Total borrowings due within one year	**-**	(21.3)
Non-current:		
Secured senior credit facility – revolving	**-**	(22.0)
Transaction costs	**5.6**	5.6
	5.6	(16.4)
Senior secured notes	**(535.0)**	(500.0)
Transaction costs	**9.4**	11.4
	(525.6)	(488.6)
Total borrowings due after more than one year	**(520.0)**	(505.0)
Total bank and other borrowings	**(520.0)**	(526.3)

The Group entered into three year floating to fixed interest rate swaps in June 2014, with a nominal value of £150m amortising to £50m, attracting a swap rate of 1.44%. This expired in December 2017.

Senior secured notes
The senior secured notes are listed on the Irish GEM Stock Exchange. The notes totalling £535m are split between fixed and floating tranches. The fixed note of £325m matures in March 2021 and attracts an interest rate of 6.50%. The floating note of £210m matures in July 2022 and attracts an interest rate of 5.00% above LIBOR.

Revolving credit facility
Of the revolving credit facility of £217m, £34m is due to mature in March 2019 and £183m in December 2020. It attracts a leverage based margin of between 2.5% and 4.0% above LIBOR. Banking covenants of net debt / EBITDA and EBITDA / interest are in place and are tested biannually.

The covenant package attached to the revolving credit facility is:

	Net debt / EBITDA[1]	Net debt / Interest[1]
2018/19 FY	4.80x	2.70x
2019/20 FY	4.50x	2.75x

[1]Net debt, EBITDA and Interest are as defined under the revolving credit facility.

8. Provisions for liabilities and charges

	As at 31 Mar 2018 £m	As at 1 Apr 2017 £m
Non-current	**(35.7)**	(43.1)
Current	**(7.9)**	(10.0)
Total	**(43.6)**	(53.1)

Total provisions for liabilities and charges of £43.6m at 31 March 2018 (1 April 2017: £53.1m) comprise property provisions of £32.1m (1 April 2017: £34.0m) which primarily relate to provisions for non-operational leasehold properties, dilapidations against leasehold properties and environmental liabilities, and other provisions of £11.5m (1 April 2017: £19.1m) which primarily relate to insurance claims and provisions for restructuring costs.

9. Retirement benefit schemes

Defined benefit schemes

The Group operates a number of defined benefit schemes under which current and former employees have built up an entitlement to pension benefits on their retirement. These are as follows:

(a) The Premier schemes, which comprise:

Premier Foods Pension Scheme ("PFPS")
Premier Grocery Products Pension Scheme ("PGPPS")
Premier Grocery Products Ireland Pension Scheme ("PGPIPS")
Chivers 1987 Pension Scheme
Chivers 1987 Supplementary Pension Scheme

(b) The RHM schemes, which comprise:

RHM Pension Scheme
Premier Foods Ireland Pension Scheme

The most recent triennial actuarial valuations of the PFPS, the PGPPS and RHM pension schemes were carried out on 31 March 2016 / 5 April 2016 to establish ongoing funding arrangements. Deficit recovery plans have been agreed with the Trustees of each of the PFPS and PGPPS. The RHM Pension Scheme was in surplus and no deficit contributions are payable. Actuarial valuations for the schemes based in Ireland took place during the course of 2016 and 2017.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1336 for the average rate during the period, and £1.00 = €1.1406 for the closing position at 31 March 2018.

All defined benefit plans are held separately from the Company under Trusts. Trustees are appointed to operate the schemes in accordance with their respective governing documents and pensions law. The schemes meet the legal requirement for member nominated trustees representation on the trustee boards and the UK schemes have appointed a professional independent Trustee as Chair of the boards. The members of the trustee boards undertake regular training and development to ensure that they are equipped appropriately to fulfil their function as trustees. In addition each trustee board has appointed professional advisers to give them the specialist expertise they need to support them in the areas of investment, funding, legal, covenant and administration.

The trustee boards of the UK schemes generally meet at least four times a year to conduct their business. To support these meetings the Trustees have delegated certain aspects of the schemes' operation to give specialist focus (e.g. investment, administration and compliance) to committees for which further meetings are held as appropriate throughout the year. These committees regularly report to the full trustee boards.

The schemes invest through investment managers appointed by the trustees in a broad range of assets including UK and Global equities and Corporate and Government bonds. The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The pension schemes hold a security over the assets of the Group which rank pari passu with the banks and bondholders in the event of insolvency, up to a cap.

The main risks to which the Group is exposed in relation to the funded pension schemes are as follows:

- Liquidity risk – the PFPS and PGPPS have significant technical funding deficits which could increase. The RHM Pension Scheme is currently in surplus, but subsequent valuations could reveal a deficit. As such this could have an adverse impact on the financial condition of the Group. The current funding plans in place following the 2016 actuarial valuations fixes the deficit contributions from 1 April 2017 until 31 December 2019. The Group continues to monitor the pension risks closely working with the trustees to ensure a collaborative approach.
- Mortality risk – the assumptions adopted make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes liabilities. The trustees review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption.
- Yield risk – a fall in government bond yields will increase the schemes liabilities and certain of the assets. However, the liabilities may grow by more in monetary terms, thus increasing the deficit in the scheme.
- Inflation risk – the majority of the schemes liabilities increase in line with inflation and so if inflation is greater than expected, the liabilities will increase.

The schemes can limit or hedge their exposure to the yield and inflation risks described above by investing in assets that move in the same direction as the liabilities in the event of a fall in yields, or a rise in inflation. The RHM pension scheme has largely hedged its inflation and interest rate exposure to the extent of its funding level. The PFPS and PGPPS have broadly hedged 50% of their respective liabilities and have put in place a plan to further increase hedging over time as its funding level improves.

The liabilities of the schemes are approximately 49% in respect of former active members who have yet to retire and approximately 51% in respect of pensioner members already in receipt of benefits. The mean duration of the liabilities is approximately 19 years.

All pension schemes are closed to future accrual.

At the balance sheet date, the combined principal actuarial assumptions were as follows:

	At 31 Mar 2018		**At 1 Apr 2017**	
	Premier schemes	**RHM schemes**	**Premier schemes**	**RHM schemes**
Discount rate	**2.70%**	**2.70%**	2.65%	2.65%
Inflation – RPI	**3.15%**	**3.15%**	3.30%	3.30%
Inflation – CPI	**2.05%**	**2.05%**	2.20%	2.20%
Expected salary increases	**n/a**	**n/a**	n/a	n/a
Future pension increases	**2.10%**	**2.10%**	2.15%	2.15%

For the smaller overseas schemes the discount rate used was 1.80% (2016/17: 1.80%) and future pension increases were 1.45% (2016/17: 1.45%).

At 31 March 2018 and 1 April 2017, the discount rate was derived based on a bond curve expanded to also include bonds rated AA by one credit agency (and which might for example be rated A or AAA by other agencies).

The mortality assumptions are based on standard mortality tables and allow for future mortality improvements. The life expectancy assumptions are as follows:

	At 31 Mar 2018		**At 1 Apr 2017**	
	Premier schemes	**RHM schemes**	**Premier schemes**	**RHM schemes**
Male pensioner, currently aged 65	**87.6**	**85.8**	87.7	85.9
Female pensioner, currently aged 65	**89.5**	**88.3**	89.5	88.3
Male non-pensioner, currently aged 45	**88.6**	**86.7**	88.8	86.8
Female non-pensioner, currently aged 45	**90.7**	**89.5**	90.8	89.5

A sensitivity analysis on the principal assumptions used to measure the scheme liabilities at the period end is as follows:

	Change in assumption	**Impact on scheme liabilities**
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £77.1m/£79.1m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £30.4m/£40.1m
Assumed life expectancy at age 60 (rate of mortality)	Increase by 1 year	Increase by £193.6m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 31 March 2018. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

The fair values of plan assets split by type of asset are as follows:

	Premier schemes	% of total	RHM schemes	% of total	Total	% of total
	£m	%	£m	%	£m	
Assets with a quoted price in an active market at 31 March 2018:						
UK equities	**0.2**	**0.0**	**0.3**	**0.0**	**0.5**	**0.0**
Global equities	**7.6**	**1.1**	**288.4**	**6.9**	**296.0**	**6.1**
Government bonds	**25.0**	**3.7**	**1,021.4**	**24.3**	**1,046.4**	**21.5**
Corporate bonds	**20.7**	**3.0**	**-**	**-**	**20.7**	**0.4**
Property	**7.5**	**1.1**	**383.5**	**9.2**	**391.0**	**8.0**
Absolute return products	**391.0**	**57.7**	**932.3**	**22.3**	**1,323.3**	**27.2**
Cash	**12.8**	**1.9**	**19.6**	**0.5**	**32.4**	**0.7**
Other	**214.1**	**31.5**	**3.0**	**0.1**	**217.1**	**4.5**
Assets without a quoted price in an active market at 31 March 2018:						
Infrastructure funds	-	**-**	**254.6**	**6.1**	**254.6**	**5.2**
Swaps	**-**	**-**	**715.3**	**17.1**	**715.3**	**14.7**
Private equity	**-**	**-**	**344.0**	**8.2**	**344.0**	**7.1**
Other	**0.2**	**0.0**	**222.1**	**5.3**	**222.3**	**4.6**
Fair value of scheme assets as at 31 March 2018	**679.1**	**100**	**4,184.5**	**100**	**4,863.6**	**100**
Assets with a quoted price in an active market at 1 April 2017:						
UK equities	0.3	0.0	0.6	0.0	0.9	0.0
Global equities	7.1	1.1	519.0	12.4	526.1	10.8
Government bonds	22.4	3.3	496.7	11.9	519.1	10.7
Corporate bonds	23.0	3.4	-	-	23.0	0.5
Property	8.1	1.2	349.3	8.3	357.4	7.3
Absolute return products	399.7	59.3	884.5	21.1	1,284.2	26.4
Cash	13.4	2.0	55.7	1.3	69.1	1.4
Other	199.7	29.7	2.8	0.1	202.5	4.2
Assets without a quoted price in an active market at 1 April 2017:						
Infrastructure funds	-	-	242.6	5.8	242.6	5.0
Swaps	-	-	1,116.1	26.6	1,116.1	22.9
Private equity	-	-	321.7	7.7	321.7	6.6
Other	-	-	201.9	4.8	201.9	4.2
Fair value of scheme assets as at 1 April 2017	673.7	100	4,190.9	100	4,864.6	100

The RHM scheme invests directly in interest rate and inflation swaps to protect from fluctuations in interest rates and inflation.

The amounts recognised in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes are as follows:

			At 31 March 2018			At 1 April 2017
	Premier schemes	RHM schemes	Total	Premier schemes	RHM schemes	Total
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	**(1,116.1)**	**(3,430.5)**	**(4,546.6)**	(1,162.8)	(3,597.0)	(4,759.8)
Fair value of plan assets	**679.1**	**4,184.5**	**4,863.6**	673.7	4,190.9	4,864.6
(Deficit)/surplus in schemes	**(437.0)**	**754.0**	**317.0**	(489.1)	593.9	104.8

The aggregate surplus of £104.8m has increased to a surplus of £317.0m in the current period. This increase of £212.2m (2016/17: £26.1m decrease) is primarily due to the gain on asset experience and the impact of the change in the financial assumptions on the defined benefit obligations.

Changes in the present value of the defined benefit obligation were as follows:

	Premier schemes £m	RHM schemes £m	Total £m
Defined benefit obligation at 2 April 2016	(1,004.2)	(3,207.8)	(4,212.0)
Interest cost	(34.2)	(110.6)	(144.8)
Current service cost	-	(0.1)	(0.1)
Remeasurement losses	(155.1)	(437.8)	(592.9)
Exchange differences	(3.8)	(2.0)	(5.8)
Benefits paid	34.5	161.3	195.8
Defined benefit obligation at 1 April 2017	**(1,162.8)**	**(3,597.0)**	**(4,759.8)**
Interest cost	**(29.9)**	**(93.0)**	**(122.9)**
Remeasurement gains	**36.6**	**87.6**	**124.2**
Exchange differences	**(1.2)**	**(0.7)**	**(1.9)**
Benefits paid	**41.2**	**172.6**	**213.8**
Defined benefit obligation at 31 March 2018	**(1,116.1)**	**(3,430.5)**	**(4,546.6)**

Changes in the fair value of plan assets were as follows:

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of plan assets at 2 April 2016	584.2	3,758.7	4,342.9
Interest income on plan assets	20.2	130.2	150.4
Remeasurement gains	54.0	462.3	516.3
Administrative costs	(3.0)	(3.3)	(6.3)
Contributions by employer	49.2	2.5	51.7
Exchange differences	3.6	1.8	5.4
Benefits paid	(34.5)	(161.3)	(195.8)
Fair value of plan assets at 1 April 2017	**673.7**	**4,190.9**	**4,864.6**
Interest income on plan assets	**17.3**	**108.6**	**125.9**
Remeasurement (losses) / gains	**(7.6)**	**58.2**	**50.6**
Administrative costs	**(3.0)**	**(2.5)**	**(5.5)**
Contributions by employer	**38.6**	**1.2**	**39.8**
Exchange differences	**1.3**	**0.7**	**2.0**
Benefits paid	**(41.2)**	**(172.6)**	**(213.8)**
Fair value of plan assets at 31 March 2018	**679.1**	**4,184.5**	**4,863.6**

The reconciliation of the net defined benefit (deficit)/surplus over the period is as follows:

	Premier schemes £m	RHM schemes £m	Total £m
(Deficit)/surplus in schemes at 2 April 2016	(420.0)	550.9	130.9
Amount recognised in profit or loss	(17.0)	16.2	(0.8)
Remeasurements recognised in other comprehensive income	(101.1)	24.5	(76.6)
Contributions by employer	49.2	2.5	51.7
Exchange differences	(0.2)	(0.2)	(0.4)
(Deficit)/surplus in schemes at 1 April 2017	**(489.1)**	**593.9**	**104.8**
Amount recognised in profit or loss	**(15.6)**	**13.1**	**(2.5)**
Remeasurements recognised in other comprehensive income	**29.0**	**145.8**	**174.8**
Contributions by employer	**38.6**	**1.2**	**39.8**
Exchange differences	**0.1**	**-**	**0.1**
(Deficit)/surplus in schemes at 31 March 2018	**(437.0)**	**754.0**	**317.0**

Remeasurements recognised in the consolidated statement of comprehensive income are as follows:

			2017/18			2016/17
	Premier schemes £m	RHM schemes £m	Total £m	Premier schemes £m	RHM schemes £m	Total £m
Remeasurement gain/(loss) on plan liabilities	**36.6**	**87.6**	**124.2**	(155.1)	(437.8)	(592.9)
Remeasurement (loss)/gain on plan assets	**(7.6)**	**58.2**	**50.6**	54.0	462.3	516.3
Net remeasurement gain/(loss) for the period	**29.0**	**145.8**	**174.8**	(101.1)	24.5	(76.6)

The actual return on plan assets was a £176.5m gain (2016/17: £666.7m gain), which is £50.6m more (2016/17: £516.3m more) than the interest income on plan assets of £125.9m (2016/17: £150.4m) at the start of the relevant periods.

The remeasurement gain on liabilities of £124.2m (2016/17: £592.9m loss) comprises a gain due to changes in financial assumptions of £83.9m (2016/17: £747.3m loss), a gain due to member experience of £32.8m (2016/17: £112.6m gain) and a gain due to demographic assumptions of £7.5m (2016/17: £41.8m gain).

The net remeasurement gain taken to the consolidated statement of comprehensive income was £174.8m (2016/17: £76.6 loss). This gain was £145.1m (2016/17: £61.7m loss) net of taxation (with tax at 17% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute between £6m and £10m annually to its defined benefit plans in relation to expenses and government levies and £35-38m of additional annual contributions to fund the scheme deficits up to 2022/23.

The Group has concluded that it has an unconditional right to a refund of any surplus in the RHM Pension Scheme once the liabilities have been discharged and so the asset has not been restricted and no additional liability has been recognised.

The Accounting Standards Board under IFRIC 14, are currently reviewing the recognition of a pensions surplus in the financial statements of an entity. Dependent upon the final published standard, there is potential that any future defined benefit surplus may not be recognised in the financial statements of the Group and additionally, the deficit valuation methodology may also change.

The total amounts recognised in the consolidated statement of profit or loss are as follows:

	Premier schemes	RHM schemes	2017/18 Total	Premier schemes	RHM schemes	2016/17 Total
	£m	£m	£m	£m	£m	£m
Operating profit						
Current service costs	**-**	**-**	**-**	-	(0.1)	(0.1)
Administrative costs	**(3.0)**	**(2.5)**	**(5.5)**	(3.0)	(3.3)	(6.3)
Net interest (cost)/credit	**(12.6)**	**15.6**	**3.0**	(14.0)	19.6	5.6
Total	**(15.6)**	**13.1**	**(2.5)**	(17.0)	16.2	(0.8)

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, including provisions to comply with Auto enrolment requirements laid down by law. In addition a number of schemes providing life assurance benefits only are operated. The total expense recognised in the statement of profit or loss of £6.1m (2016/17: £6.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

10. Other liabilities

	As at 31 Mar 2018 £m	As at 1 Apr 2017 £m
Deferred income	**(9.8)**	(10.9)
Other accruals	**(0.2)**	(0.2)
Other liabilities	**(10.0)**	(11.1)

Deferred income relates to amounts received in relation to a previously disposed business.

11. Notes to the cash flow statement

Reconciliation of profit before tax to cash flows from operations

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Profit before taxation	**20.9**	12.0
Net finance cost	**48.4**	49.5
Operating profit	**69.3**	61.5
Depreciation of property, plant and equipment	**16.6**	16.2
Amortisation of intangible assets	**36.3**	37.9
Loss on disposal of non-current assets	**0.1**	0.8
Impairment of intangible assets	**2.2**	-
Impairment of goodwill	**4.3**	-
Fair value movements on foreign exchange and other derivative contracts	**(0.1)**	1.0
Equity settled employee incentive schemes	**2.8**	4.5
(Increase) in inventories	**(5.1)**	(8.1)
(Increase)/decrease in trade and other receivables	**(10.2)**	35.4
Increase/(decrease) in trade and other payables and provisions	**10.7**	(22.0)
Movement in retirement benefit obligations	**(37.5)**	(50.4)
Cash generated from operations	**89.4**	76.8

Reconciliation of cash and cash equivalents to net borrowings

	52 weeks ended 31 Mar 2018 £m	52 weeks ended 1 Apr 2017 £m
Net inflow/(outflow) of cash and cash equivalents	**41.7**	(25.9)
Decrease in finance leases	**0.1**	0.1
(Increase)/decrease in borrowings	**(13.0)**	40.9
Other non-cash movements	**(2.0)**	(4.1)
Decrease in borrowings net of cash	**26.8**	11.0
Total net borrowings at beginning of period	**(523.2)**	(534.2)
Total net borrowings at end of period	**(496.4)**	(523.2)

Analysis of movement in borrowings

	As at 1 Apr 2017 £m	**Cash flows £m**	**Other non-cash movements £m**	**As at 31 Mar 2018 £m**
Bank overdrafts	(21.2)	21.2	-	**-**
Cash and bank deposits	3.1	20.5	-	**23.6**
Net cash and cash equivalents	(18.1)	41.7	-	**23.6**
Borrowings - revolving credit facilities	(22.0)	22.0	-	**-**
Borrowings - senior secured notes	(500.0)	(35.0)	-	**(535.0)**
Finance lease obligations	(0.1)	0.1	-	**-**
Gross borrowings net of cash[1]	(540.2)	28.8	-	**(511.4)**
Debt issuance costs[2]	17.0	-	(2.0)	**15.0**
Total net borrowings[1]	(523.2)	28.8	(2.0)	**(496.4)**

[1] Borrowings exclude derivative financial instruments.
[2] The non-cash movement in debt issuance costs relates to the amortisation of capitalised borrowing costs only.

12. Contingencies

There were no material contingent liabilities at 31 March 2018 (2016/17: none).

13. Subsequent events

On 15 May 2018 the Group announced the proposed issue of new five year £300m Senior Secured fixed rate notes due 2023, to refinance its £325m existing Senior Secured fixed rate notes, due to mature March 2021. Pricing of the new £300m Senior Secured fixed rate notes is to be confirmed and the notes are expected to be callable after two years.

The Group has also announced that it has extended the term of its revolving credit facility with its lending syndicate from December 2020 to December 2022, effective on the redemption of the existing Senior Secured fixed rate notes. The £217m facility, which was not drawn at 31 March 2018, is expected to reduce by £41m to £176m. The interest margin under the revolving credit facility will reduce by twenty five basis points and the financial covenants, which are tested bi-annually, are unchanged.