14 May 2019

Premier Foods plc

Preliminary results for the 52 weeks ended 30 March 2019

Trading profit and Net debt ahead of market expectations

Headline results	FY18/19	FY17/18	Change (%)
Revenue (£m)	824.3	819.2	+0.6%
Trading profit[1] (£m)	128.5	123.0	+4.5%
Adjusted profit before tax[4] (£m)	88.0	78.6	+12.1%
Adjusted earnings per share[7] (pence)	8.5	7.6	+11.5%
Net debt[9] (£m)	(469.9)	(496.4)	

Other measures	FY18/19	FY17/18	Change
Operating profit (£m)	4.5	69.3	(64.8)
(Loss)/Profit before taxation (£m)	(42.7)	20.9	(63.6)
Basic (loss)/earnings per share (pence)	(4.0)	0.9	(4.9)

Financial headlines

- Full year revenue up +0.6%; Q4 revenue up +3.1%
- Trading profit growth of +4.5% to £128.5m
- Adjusted profit before tax up +12.1% to £88.0m
- Statutory loss before tax (£42.7m); due to GMP pensions recognition and impairment of intangible assets
- Statutory loss after tax (£33.8m)
- Net debt £469.9m; a £26.5m reduction on prior year
- Net debt/EBITDA[3] reduced to 3.2x
- Combined pensions surplus £373.1m (31 March 2018: £317.0m)

Strategic & operational headlines

- *Mr Kipling* revenue growth of +12% following brand relaunch in the UK
- Strong performances from *Ambrosia, Batchelors, Sharwood's* and *Soba*
- New product innovation remains core to delivery of growth agenda – launch of new health brand 'Plantastic'
- International business down (12.5%) impacted by *Cadbury* cake overstocks and lower export distributor volumes
- Logistics transformation programme now complete and performance returned to normal
- Second successive year of Trading profit & Adjusted earnings growth and Net debt reduction
- Strategic review remains ongoing; update to follow in due course

Alastair Murray, Acting Chief Executive Officer

"Premier Foods has delivered consistent progress over the last two years, growing Revenue, Trading profit, Adjusted earnings and reducing Net debt. In the last year, Mr Kipling, our largest brand, grew +12% following its successful brand relaunch in the UK and in addition Ambrosia, Batchelors, Sharwood's and Soba also displayed healthy growth. While we saw a decline in International revenue and experienced significant operational challenges with the final phase of our logistics transformation programme, our improved structural resilience still resulted in us growing Trading profit by 4.5%."

"This year we plan to increase investment in both capital projects and consumer marketing, with up to five of our biggest brands expected to benefit from TV advertising. We have plans to launch an exciting new brand, 'Plantastic', using plant-based ingredients, in response to current consumer trends and we expect our International business to return to double digit growth in the coming year. While the first half of FY19/20 is expected to be slower than last year, reflecting the timing of marketing investment, we expect to make further progress over the next twelve months thanks to our continuing pipeline of new product innovation and strong customer relationships. We remain focused on reducing our levels of Net debt and expect to deliver a similar level of debt paydown in the coming year."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Non-GAAP measures above are defined on page 13 and reconciled to statutory measures throughout
Net debt/EBITDA is EBITDA on an adjusted basis as defined in the appendices

Further information

A presentation to investors and analysts will take place today, 14 May 2019, 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, 14 May 2019, 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:	6296864

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/

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- Ends –

This announcement may contain "forward-looking statements" that are based on estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements are all statements other than statements of historical fact or statements in the present tense, and can be identified by words such as "targets", "aims", "aspires", "assumes", "believes", "estimates", "anticipates", "expects", "intends", "hopes", "may", "would", "should", "could", "will", "plans", "predicts" and "potential", as well as the negatives of these terms and other words of similar meaning. Any forward-looking statements in this announcement are made based upon Premier Foods' estimates, expectations and beliefs concerning future events affecting the Group and subject to a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Premier Foods Group's present and future business strategies and the environment in which it will operate, which may prove not to be accurate. Premier Foods cautions that these forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in these forward-looking statements. Undue reliance should, therefore, not be placed on such forward-looking statements. Any forward-looking statements contained in this announcement apply only as at the date of this announcement and are not intended to give any assurance as to future results. Premier Foods will update this announcement as required by applicable law, including the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules, London Stock Exchange and any other applicable law or regulations, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Financial results

Revenue

Group revenue (£m)	Grocery	Sweet Treats	Group
Branded	498.3	180.9	679.2
Non-branded	98.7	46.4	145.1
Total	**597.0**	**227.3**	**824.3**
% change			
Branded	0.0%	+5.3%	+1.4%
Non-branded	+8.6%	(20.3%)	(2.7%)
Total	**+1.3%**	**(1.2%)**	**+0.6%**

Group revenue for the 52 weeks ended 30 March 2019 was £824.3m, up +0.6% compared to the prior year. Branded revenue grew by +1.4% to £679.2m while Non-branded revenue was (2.7%) lower at £145.1m. In the second half of the year, Group revenue was 0.1% higher than the comparative period. A stronger fourth quarter saw revenue grow +3.1%, benefitting slightly from Brexit related stock build by customers and followed a weaker third quarter when revenue was (2.2%) lower.

Grocery business unit revenues increased by +1.3% in the year to £597.0m; within this branded revenue was flat as strong momentum in the UK was offset by a softer International performance. Non-branded revenue increased +8.6% to £98.7m. In the Sweet Treats business, full year revenues were £227.3m, a (1.2%) decrease on the prior year as Branded revenue growth of +5.3% was offset by Non-branded revenue which was (20.3%) lower.

Sweet Treats

A major contributor to the branded revenue result was due to the growth of the Group's largest brand, *Mr Kipling*. At a Group level, *Mr Kipling* saw revenue increase by 12%, with UK revenue up 10% and International markets ahead +48%. In the UK, *Mr Kipling* benefitted from a major brand relaunch, including an updated pack design and brand logo, television advertising, and supported by new product development such as Unicorn and Flamingo slices. Internationally, the brand enjoyed particular success in Australia and the USA. While *Cadbury* cake sales in the UK were lower due to the timing effects of Easter and the impact of discontinuing some low margin product lines, the core portfolio enjoyed good growth.

Looking to FY19/20, the Group is set to launch a premium range of *Mr Kipling* 'Signature' cakes with variants such as After Dinner Mint Fancies and Chocolate, Caramel & Pecan slices. The Group is also planning to introduce some exciting new lines under *Cadbury* cakes in FY19/20. Ranges include new *Cadbury* cake slices, Oreo cupcakes and Freddo cupcakes.

Grocery

Batchelors entered the year with strong momentum having delivered revenue growth of +11% in FY17/18 compared to the prior year. In FY18/19, *Batchelors* continued to build on this momentum as it gained further traction with consumers with its range of convenient pot products: Super Noodles; Pasta n Sauce, Soup to Go and Super Rice & Sauce. This pots range continued to deliver strong growth in the year, increasing both volume and revenue by over 40%. *Nissin Soba* Noodles and *Cup Noodle* products also grew strongly in the year, up nearly +60% compared to the prior year.

Angel Delight was another brand in the portfolio which continued its momentum from the prior year into FY18/19, delivering growth of 15%; building on the popularity of ready to eat pots with consumers. Elsewhere in the Desserts category, *Ambrosia* staged a year of recovery, with growth of 7% in the second half the year, benefitting from stronger instore activity and execution in major retail customers.

Sharwood's also saw revenue increase in the year, with growth of over 7% and as with *Mr Kipling,* this good progress was replicated in both UK and International markets. Key to the success in the UK was excellent instore execution at major retailers during the second half of the year and especially for the Chinese New Year event in the fourth quarter of the year. *Sharwood's* plans for the coming year include the launch of *Sharwood's* Rice pots, Curry pastes and extension of premium cooking sauces in pouches. *Loyd Grossman* cooking sauces saw lower sales in the year as it cut back on low margin promotional activity.

During the Group's second financial quarter of the year, the UK experienced a prolonged period of hot weather, with average temperatures in July and August significantly higher than the equivalent months last year. Consequently, the majority of the Group's categories – some of which are biased to perform more strongly in colder weather - saw value declines in both July and August. *Bisto* gravy and *Ambrosia* custard were the branded products most affected by this temperature pattern during the second quarter.

The Group is committed to developing 'better for you' choices across its portfolio. This means providing a meaningful (typically 30%) reduction in sugar, salt, fat or calories; or no added sugar or salt; or a free from option such as gluten free. Alongside this, the Group is aiming to increase the proportion of its new product development which delivers 'better for you' options or which help consumers improve their diet. One of the Group's key targets in this area is to remove 1,000 Tonnes of sugar from its portfolio by the end of 2019.

In FY19/20, the Group plans to launch a fresh new brand 'Plantastic'. Under this exciting new brand, the Group will launch a cross category range of products using plant-based ingredients, targeting the growing trend of consumers looking for plant-based and vegan products. The products are planned for launch during the course of this financial year in the Desserts, Cake and Soup categories. In terms of the supply chain, these products will be sourced from a combination of in-house manufacturing and co manufacturer partners.

International

The Group's International business did not enjoy the same universal success during the year as it had in the previous three years as revenue fell (12.5%). *Cadbury* cake sales were adversely affected in the year by elevated stock levels in Australian customers' supply chains; a situation which has now normalised. Retail sales of *Cadbury* cake in Australia, as measured by market share data, continue to show progress compared to the prior year, with sales up +8.9%. Including *Mr Kipling* cake, the Group's share of branded cake in Australia increased from 6.8% to 7.5% in the year.

Additionally, price increases implemented for UK wholesalers who export some of the Group's products also resulted in significantly lower sales.

Sharwood's and *Mr Kipling* saw good performances, with increased revenue outside the UK of +14% and 48% respectively. Much of this benefit was seen in Australia; *Sharwood's* enjoyed increased distribution in customers of the core product range and *Mr Kipling* continued to perform well, also growing market share.

Looking ahead to FY19/20, the International business has just entered two new markets with the launch of both *Mr Kipling* and *Cadbury* cakes in Jamaica and Trinidad & Tobago. The Group also plans to extend its distribution of *Mr Kipling* cake in the USA and Canada and both *Mr Kipling* and *Cadbury* cake in South Africa during FY19/20. Additionally, leveraging the strategic partnership with Nissin, a range of *Sharwood's* noodle pots are to be launched in Australia during the year.

Non-branded

In Non-branded, revenue growth of +8.6% in the Grocery business was due to contract wins in Cooking sauces, stuffing and noodles and an improved performance at B2B subsidiary Knighton Foods. In Sweet Treats, revenue was (20.3%) lower. Following a very strong set of performances over recent years in Non-branded cake, the Group exited some lower value Pies and Tarts contracts and saw some shelf space conceded to branded products which resulted in lower revenues. Revenue was also heavily impacted by capacity constraints in the second and third quarters of the year during the final phase of the Group's logistics transformation programme.

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	FY18/19	FY17/18	Change
Divisional contribution[2]			
Grocery	138.3	130.0	+6.3%
Sweet Treats	23.6	25.8	(8.4%)
Total	161.9	155.8	+3.9%
Group & corporate costs	(33.4)	(32.8)	(1.8%)
Trading profit	**128.5**	**123.0**	**+4.5%**

The Group reported Trading profit of £128.5m in the year, growth of £5.5m, up +4.5% compared to FY17/18. Divisional contribution increased by £6.1m to £161.9m. The Grocery business recorded Divisional contribution growth of £8.3m to £138.3m while Sweet Treats Divisional contribution was £2.2m lower than the prior year at £23.6m. Group & corporate costs were £0.6m higher than the prior year.

In the first half of the year, Grocery Divisional contribution benefitted from previous changes in the promotional strategy of *Ambrosia*. The business reduced the depth of promotional deals it offered which resulted in lower volumes and revenue in the period but growth in Divisional contribution. Additionally, Divisional contribution margins in the Grocery business grew 2.1 percentage points in the first half compared to the prior year. This is in line with margins two years ago, whereby margins in the prior year were impacted by a longer than expected process to recover input cost inflation seen across the Group's categories.

With recovery of this input cost inflation complete, the second half of the year saw the benefits of UK Branded revenue growth flow through to Divisional contribution, partly offset by increased warehousing and distribution costs.

Consumer marketing investment was slightly lower compared to the prior year, although the Group expects to significantly increase its investment in this area in FY19/20 with five of the Group's major brands to benefit from media advertising in the year.

The results of the International and Knighton business units are consolidated in the results of the Grocery business unit. Knighton delivered Divisional contribution improvement in the year and overall delivered strong progress with its turnaround programme.

In Sweet Treats, the revenue benefits following the successful *Mr Kipling* brand relaunch were offset at the Divisional contribution level by lower Non-branded sales volumes and challenges experienced with the Group's logistics transformation programme. The third and final phase of this programme, the transfer of Sweet Treats to a new third-party managed warehouse in Tamworth, completed at the end of the second quarter of the year but did not initially achieve the required performance. These issues adversely impacted both sales volume and efficiency in the second and third quarters, however these issues have now been resolved and customer service levels returned to normal levels in the fourth quarter of the year. Further work is now underway to optimise the cost base in this area.

Operating profit

£m	FY18/19	FY17/18	Change
Adjusted EBITDA[3]	**145.5**	**139.6**	**5.9**
Depreciation	(17.0)	(16.6)	(0.4)
Trading profit	**128.5**	**123.0**	5.5
Amortisation of intangible assets	(34.4)	(36.3)	1.9
Fair value movements on foreign exchange and derivatives	(1.3)	0.1	(1.4)
Net interest on pensions and administrative expenses	(1.3)	(2.5)	1.2
Non-trading items			
GMP equalisation	(41.5)	-	(41.5)
Restructuring costs	(16.8)	(8.5)	(8.3)
Impairment of goodwill & intangible assets	(30.6)	(6.5)	(24.1)
Other non-trading items	1.9	-	1.9
Operating profit	**4.5**	**69.3**	**(64.8)**

The Group reports an Operating profit of £4.5m for FY18/19, compared to £69.3m in the prior year. The growth in Trading profit of £5.5m in the year, as outlined above, was offset by an impairment of goodwill and intangible assets of £30.6m and costs of £41.5m relating to the recognition of Guaranteed Minimum Payments (GMP) pensions charges.

Amortisation of intangibles was £1.9m lower than FY17/18 due to certain SAP software modules becoming fully amortised in the year. Fair valuation of foreign exchange and derivatives was a charge of £1.3m in the year.

The Group recognised £41.5m of estimated costs in the year associated with the equalisation of GMP for pension benefits accrued between 1990 and 1997. This follows a judgment case of Lloyds Banking Group on 26 October 2018 which referred to the equal treatment of men and women who contracted out of the State Earnings Related Pension Scheme between these dates. It should be noted that the final cost will differ to the estimated cost when the actual method of equalisation is agreed between the scheme Trustees in due course. Any future and final adjustment to the cost recognised in FY18/19 will be reflected in the Consolidated statement of Comprehensive Income. All UK companies who operated defined benefit pension schemes during these dates will be affected by this ruling. Of this £41.5m non-cash charge, approximately two thirds relates to the RHM pension schemes and the balance relates to the Premier Foods pension schemes.

Restructuring costs were £16.8m in the year; an £8.3m increase on the prior year and included c.£14m associated with the consolidation of the Group's logistics operations to one central location in the year due to higher than anticipated implementation costs. This programme has now completed and the Group does not expect to incur any further restructuring costs associated with this programme. Advisory fees associated with strategic reviews and corporate activity were also included in restructuring costs in the year. Other non-trading items of £1.9m refer to a past service pension credit of £3.9m due to inflation increases no longer required in a smaller Irish pension scheme, partly offset by costs related to the departure of previous CEO Gavin Darby.

Net interest on pensions and administrative expenses was a charge of £1.3m. Expenses for operating the Group's pension schemes were £10.3m in the year, offset by a net interest credit of £9.0m due to an opening surplus of the Group's combined pension schemes.

An impairment charge of £30.6m was recognised in the year and related to impairment of *Sharwood's* and *Saxa* brand intangible assets to ensure the carrying value of the brand on the balance sheet reflects the Group's latest view on brand valuation. The prior year charge of £6.5m was due to write-off of Knighton Foods goodwill and *Lyons'* cakes intangible brand asset. Following the impairment of *Sharwood's*, amortisation of intangibles is expected to be lower in FY19/20 at approximately £30m.

Finance costs

£m	FY18/19	FY17/18	Change
Senior secured notes interest	31.7	32.2	0.5
Bank debt interest	5.1	7.2	2.1
	36.8	39.4	2.6
Amortisation of debt issuance costs	3.7	5.0	1.3
Net regular interest[5]	**40.5**	**44.4**	**3.9**
Fair value movements on interest rate financial instruments	-	(0.4)	(0.4)
Write-off of financing costs & early redemption fees	11.3	4.0	(7.3)
Discount unwind	3.0	(0.4)	(3.4)
Other finance income	(7.6)	-	7.6
Other interest cost	-	0.8	0.8
Net finance cost	**47.2**	**48.4**	**1.2**

Net finance cost was £47.2m for the year; a decrease of £1.2m on FY17/18. Net regular interest in the year was £40.5m, a decrease of £3.9m compared to the prior year. Consistent with recent years, the largest component of finance costs in the year was interest due to holders of the Group's senior secured notes, which was £31.7m. The interest on the senior secured notes was £0.5m lower compared to the prior year following the re-financing of the June 2021 £325m fixed rate notes at a coupon of 6.5% to the October 2023 £300m fixed rate notes to the slightly lower coupon of 6.25%. Bank debt interest of £5.1m was £2.1m lower in the year due to lower levels of average debt and a lower margin on the revolving credit facility following the refinancing completed in May 2018. Amortisation of debt issuance costs was £3.7m, £1.3m lower than the prior year due to lower transaction costs associated with the issue of the £300m 6.25% Fixed rate notes compared with the retired £325m 6.5% Fixed rate notes.

Write-off of financing costs and early redemption fees of £11.3m include a £5.7m fee related to the write-off of transaction costs associated with the senior secured fixed rate notes due March 2021, which were repaid during the year, and a £5.6m redemption fee associated with the early call of the March 2021 bond. In the prior year, a £0.4m discount unwind credit relating to long term property provisions held by the Group due to an increase in gilt yields was reflected in reported Net finance cost. In FY18/19, a discount unwind charge of £3.0m was included in the Net finance cost of £47.2m.

Other interest income of £7.6m in the year relates to monies received from the Group's associate Hovis Holdings Limited ("Hovis") and reflects the reversal of a previous impairment.

Taxation

£m	FY18/19	FY17/18	Change
Overseas current tax			
- Current year	1.1	0.8	0.3
Deferred tax			
- Current period	6.1	(4.1)	10.2
- Prior periods	1.7	(8.1)	9.8
- Adjustment to restate opening deferred tax at 17.0%	-	(2.3)	2.3
Income tax credit/(charge)	**8.9**	**(13.7)**	22.6

A tax credit of £8.9m in the year compared to a £13.7m charge in the prior year. This included a deferred tax credit in the current year of £6.1m largely reflecting the loss before tax reported of £42.7m and a credit of £1.7m relating to the adjustment of prior period losses and capital allowances. A current year tax credit of £1.1m was in respect of overseas tax.

A deferred tax liability at 30 March 2019 of £13.5m compared to a liability of £12.1m at 31 March 2018. This movement is primarily due to a slightly higher pensions surplus reported at 30 March 2019 compared to 31 March 2018 reflecting the allowability for tax on pensions contribution payments. Recognised and unrecognised deferred tax assets relating to brought forward losses were approximately £44m at 30 March 2019 and equate to around £250m of future taxable profits.

The corporation tax rate and deferred tax rate applied in calculations are 19.0% and 17.0% respectively.

Earnings per share

Earnings per share (£m)	FY18/19	FY17/18	Change
Operating profit	4.5	69.3	(64.8)
Net finance cost	(47.2)	(48.4)	1.2
Loss before taxation	**(42.7)**	**20.9**	**(63.6)**
Taxation	8.9	(13.7)	22.6
(Loss)/Profit after taxation	(33.8)	7.2	(41.0)
Average shares in issue	841.5	836.8	(4.7)
Basic (loss)/earnings per share (pence)	**(4.0)**	**0.9**	**(4.9)**

The Group reported a loss before tax of £(42.7)m in the year, compared to a profit before tax of £20.9m in FY17/18. A loss after tax was £(33.8)m, compared to a £7.2m profit in the prior year.

Adjusted earnings per share (£m)	FY18/19	FY17/18	Change
Trading profit	128.5	123.0	+4.5%
Less: Net regular interest	(40.5)	(44.4)	+8.9%
Adjusted profit before tax	**88.0**	**78.6**	**+12.1%**
Less: Notional tax (19%)	(16.7)	(14.9)	(12.1%)
Adjusted profit after tax[6]	71.3	63.7	+12.1%
Average shares in issue (millions)	841.5	836.8	+0.6%
Adjusted earnings per share (pence)	**8.5**	**7.6**	**+11.5%**

Adjusted profit before tax was £88.0m in the year, an increase of £9.4m compared to the prior year due to growth both in Trading profit and lower interest costs as described above. Adjusted profit after tax increased

£7.6m to £71.3m in the year after deducting a notional 19.0% tax charge of £16.7m. Based on average shares in issue of 841.5 million shares, adjusted earnings per share in the year was 8.5p, growth in the year of +11.5%.

Free cash flow

£m	**FY18/19**	**FY17/18**
Trading profit	128.5	123.0
Depreciation	17.0	16.6
Other non-cash items	2.4	2.8
Interest	(30.1)	(38.0)
Taxation	-	1.0
Pension contributions	(41.9)	(39.8)
Capital expenditure	(17.7)	(19.2)
Working capital & other	(7.7)	(0.6)
Restructuring costs	(18.1)	(12.5)
Proceeds from share issue	1.4	1.2
Sale of property, plant & equipment	-	1.3
Hovis repayment of loan note	7.6	-
Financing fees	(12.2)	(7.0)
Free cash flow[10]	**29.2**	**28.8**
Statutory cash flow statement		
Cash generated from operating activities	57.7	52.4
Cash used in investing activities	(17.7)	(17.9)
Cash (used in)/generated from financing activities	(35.8)	7.2
Net increase in cash & cash equivalents	**4.2**	**41.7**

The Group reported an inflow of Free cash in the period of £29.2m. Trading profit of £128.5m was £5.5m ahead of the prior year for the reasons outlined above, while depreciation of £17.0m was slightly higher than FY17/18. Other non-cash items of £2.4m was predominantly due to share based payments.

Net interest paid was £7.9m lower in the year at £30.1m reflecting the timing of interest payable on the £300m fixed rate notes due October 2023 which were issued in the first half of the year. This is a one-off benefit to cash interest paid; in FY19/20 cash interest is expected to be in the range of £35-39 million. No taxation was paid in the period due to the availability of brought forward losses and capital allowances, however a payment of £1.0m was received in the prior period from Irish tax authorities in respect of tax paid in prior years.

Pension contributions in the year were £41.9m, in line with expectations, and £2.1m higher than the prior year. Pension deficit contributions payments made to the Premier Foods pension schemes of £34.9m were the largest component of cash paid in the year; the balance being expenses connected to administering both the RHM and Premier Foods schemes and government levies. Pension deficit contribution payments in FY19/20 are expected to be £37m and administration and government levy costs approximately £6-8m.

Capital expenditure was £17.7m in the year, £1.5m lower than the prior year. In FY19/20, the Group expects to increase its capital expenditure to c.£25m to fund investment in both growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings. For example, the Group is investing in one of its lines at its Stoke cake manufacturing site which will provide enhanced and varied product innovation capabilities.

Working capital investment was £7.7m in the year compared to £0.6m in FY17/18. Part of this movement reflected higher stock levels in anticipation of the original planned date to leave the European Union to protect the Company against the risk of delays at ports.

Restructuring costs were £18.1m compared to £12.5m in the comparative period. These were predominantly associated with implementation costs of the Group's logistics transformation programme and also advisory costs connected with the potential disposal of the *Ambrosia* brand which has since concluded.

Financing fees of £12.2m relate to costs associated with the extension of the Group's revolving credit facility and the issue of new £300m Senior secured fixed rate notes early in the financial year. This comprised £5.6m due to the early redemption of previously issued fixed rate notes due March 2021 and £6.6m of other fees associated with the issue of the new fixed rate notes and extension of the Group's revolving credit facility.

The Group received a partial repayment of its loan note and associated interest from Hovis of £7.6m in the year. There is the possibility of the Group receiving a second tranche during FY19/20.

On a statutory basis, cash generated from operations was £80.2m compared to £89.4m in FY17/18. Cash generated from operating activities was £57.7m in the year after deducting net interest paid of £22.5m, which includes the partial repayment of the loan note from Hovis as described above. Cash used in investing activities was £17.7m in FY18/19 compared to £17.9m in the prior year. Cash used in financing activities was £35.8m in the year versus £7.2m cash generated in FY17/18. This was due to the repayment of the £325m fixed rate notes due March 2021, partly offset by proceeds received from the issue of £300m floating rate notes due October 2023 and the payment of financing fees as described above.

At 30 March 2019, the Group held cash and bank deposits of £27.8m compared to £23.6m at 31 March 2018 and the Group's revolving credit facility was undrawn.

Net debt and sources of finance

	£m
Net debt at 31 March 2018	**496.4**
Free cash inflow in period	(29.2)
Movement in debt issuance costs	2.7
Net debt at 30 March 2019	**469.9**
Adjusted EBITDA	145.5
Net debt / EBITDA	**3.23x**

Net debt at 30 March 2019 was £469.9m; a £26.5m reduction compared to the prior year. The Group has now successively reduced its Net debt every year since 2008 and its Net debt to EBITDA ratio of 3.23x is the lowest for many years. The movement in debt issuance costs in the year was £2.7m.

During the year, the Group extended the term of its revolving credit facility with its lending syndicate from December 2020 to December 2022, subject to a future refinancing of the Group's £210m Floating rate notes. The total facility was reduced from £217.0m to £176.6m in June 2018 and was undrawn at 30 March 2019.

The Group also completed the issuance of new five year £300m Senior Secured fixed rate notes due October 2023, at a coupon of 6.25% during the year. These new notes replaced the Group's £325m Senior Secured fixed rate notes, previously due to mature March 2021, and which attracted an interest coupon of 6.5%.

Pensions

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 30 March 2019 of £373.1m, £56.1m higher than 31 March 2018 and equivalent to

£309.7m net of a deferred tax charge of 17.0%. 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. An increase in the RHM surplus of £83.8m to £837.8m was partly offset by an increase in the deficit of the Premier Foods' schemes deficit of £27.7m to £464.7m.

IAS 19 Accounting Valuation (£m)	30 March 2019			31 March 2018		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,333.6	707.1	5,040.7	4,184.5	679.1	4,863.6
Liabilities	(3,495.8)	(1,171.8)	(4,667.6)	(3,430.5)	(1,116.1)	(4,546.6)
Surplus/(Deficit)	**837.8**	**(464.7)**	**373.1**	**754.0**	**(437.0)**	**317.0**
Net of deferred tax (17.0%)	695.4	(385.7)	309.7	625.8	(362.7)	263.1

Assets in the combined schemes increased by £177.1m to £5,040.7m in the period. RHM scheme assets increased by £149.1m to £4,333.6m while the Premier Foods' schemes assets increased by £28.0m to £707.1m. The most significant movement by asset class is that of Government bonds which increased by £444.0m in the year, predominantly in the RHM scheme.

Liabilities in the combined schemes increased by £121.0m in the year to £4,667.6m. The value of liabilities associated with the RHM scheme were £3,495.8m, an increase of £65.3m while liabilities in the Premier Foods schemes were £55.7m higher at £1,171.8m. The increase in the value of liabilities in both schemes is due to a lower discount rate assumption of 2.45% (31 March 2018: 2.70%) and an increase in the RPI inflation rate assumption; from 3.15% to 3.25%.

The Group's Pension Trustees have just commenced the Triennial actuarial valuation process of the Group's pension schemes as at 31 March 2019 (RHM schemes) and 5 April 2019 (Premier Foods main scheme). This exercise typically takes a number of months to conclude; the output of which will be provided in due course.

Combined pensions schemes (£m)	**30 March 2019**	**31 March 2018**
Assets		
Equities	**179.5**	296.5
Government bonds	**1,490.4**	1,046.4
Corporate bonds	**26.9**	20.7
Property	**436.5**	391.0
Absolute return products	**1,141.2**	1,323.3
Cash	**38.1**	32.4
Infrastructure funds	**256.1**	254.6
Swaps	**556.4**	715.3
Private equity	**446.1**	344.0
Other	**469.5**	439.4
Total Assets	**5,040.7**	4,863.6
Liabilities		
Discount rate	**2.45%**	2.70%
Inflation rate (RPI/CPI)	**3.25%/2.15%**	3.15%/2.05%

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

IFRS 16 – Leases

A new accounting standard, IFRS 16 – Leases, came into effect for accounting periods commencing on or after 1 January 2019, replacing the previous standard, IAS 17. Accordingly, the first accounting period that the Group will adopt IFRS 16 will be for the 52 weeks ending 28 March 2020, including Interim results for the 26 weeks ending 28 September 2019.

Under IFRS 16, the key test for a lease is to assess the recognition of right of use of an identified asset. Typically, this will result in the majority of the Group's operating leases now to be held on the Balance Sheet, whereas under IAS 17 that was not universally the case. Provisions for long term non-operational lease will now be shown as lease liabilities.

It is important to note that while there is no economic or cash impact to the Group as a result of this accounting standard change, certain disclosures such as Net debt will be impacted. The Group has elected to transition to IFRS 16 using the Modified Retrospective Approach, and as such, comparatives will not be re-stated at 28 March 2020. However, to assist in understanding the impact of IFRS 16 on the Group's summary results for FY18/19, Net debt would have been approximately £20m higher than that reported and outlined above. It should be noted that in future years, there may be a degree of volatility in the value of assets and liabilities recognised with respect to leases, reflecting the timing of lease renewals and any fluctuations to discount rates.

Outlook

The Group's strategy is to improve operating performance through driving profitable revenue growth and delivering cost efficiencies to generate cash. The Group has delivered consistent progress over the last two years, both in increasing its Adjusted earnings and reducing Net debt. The Board recognises there remains much work still to do, and the outcome of its strategic review will be outlined in due course.

In the coming year, the Group plans to increase both capital investment and consumer marketing, with up to five of its largest brands expected to benefit from media advertising over the next twelve months. The Group is now demonstrating more consistent delivery of its innovation strategy and is becoming ever more resilient. The International business is expected to return to double-digit revenue growth in FY19/20. The Group continues to focus on reducing Net debt and expects to deliver a similar level of debt paydown in FY19/20 as it did in FY18/19. While the first half of this year is expected to start slowly, reflecting the timing of consumer marketing investment, the Group anticipates that with its encouraging new product innovation programme and strong customer relationships, it will make further progress in the year.

Alastair Murray
Acting Chief Executive Officer and Chief Financial Officer

Appendices

The Company's Preliminary results are presented for the 52 weeks ended 30 March 2019 and the comparative period, 52 weeks ended 31 March 2018. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 30 March 2019 and the comparative period, 13 weeks ended 31 March 2018.

Quarter 4 Sales

Q4 Sales (£m)	Grocery	Sweet Treats	Group
Branded	135.0	45.5	180.5
Non-branded	25.5	4.7	30.2
Total	**160.5**	**50.2**	**210.7**
% change			
Branded	+4.2%	+4.2%	+4.2%
Non-branded	+6.4%	(35.2%)	(3.3%)
Total	**+4.6%**	**(1.4%)**	**+3.1%**

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, non-trading items, fair value movements on foreign exchange and other derivative contracts, 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, other finance income, early redemption fee, fair value movements on interest rate financial instruments and other interest payable.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2017/18: 19.0%).
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 841.5 million (52 weeks ended 31 March 2018: 836.8 million).
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.

Additional notes:

- The Directors believe that users of the financial statements are most interested in underlying trading performance and cash generation of the Group. As such intangible asset amortisation and impairment are excluded from Trading profit because they are non-cash items.
- GMP equalisation charge has been excluded from Trading profit because it is a one-off material item not related to underlying trading performance of the Group.
- Restructuring costs have been excluded from Trading profit because they are incremental costs incurred as part of specific initiatives that may distort a user's view of underlying trading performance.
- Net regular interest is used to present the interest charge related to the Group's ongoing financial indebtedness, and therefore excludes non-cash items and other credits/charges which are included in the Group's net finance cost.

- 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**			
	2019/20	**2020/21**	**2021/22**	**2022/23**
Deficit contributions	37	38	38	38
Administration costs	6-8	8-10	8-10	8-10
Total	**43-45**	**46-48**	**46-48**	**46-48**

Consolidated statement of profit or loss

	Note	**52 weeks ended 30 Mar 2019 £m**	52 weeks ended 31 Mar 2018 £m
Revenue	3	**824.3**	819.2
Cost of sales		**(542.6)**	(547.5)
Gross profit		**281.7**	271.7
Selling, marketing and distribution costs		**(119.8)**	(115.9)
Administrative costs		**(157.4)**	(86.5)
Operating profit	3	**4.5**	69.3
Finance cost	4	**(56.7)**	(50.4)
Finance income	4	**9.5**	2.0
(Loss)/profit before taxation		**(42.7)**	20.9
Taxation credit/(charge)	5	**8.9**	(13.7)
(Loss)/profit for the period attributable to owners of the parent		**(33.8)**	7.2
Basic (loss)/earnings per share			
From (loss)/profit for the period (pence)	6	**(4.0)**	0.9
Diluted (loss)/earnings per share			
From (loss)/profit for the period (pence)	6	**(4.0)**	0.9
Adjusted earnings per share[1]			
From adjusted (loss)/profit for the period (pence)	6	**8.5**	7.6

[1] Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2017/18: 19.0%) divided by the weighted average number of ordinary shares of the Company.

Consolidated statement of comprehensive income

	Note	**52 weeks ended 30 Mar 2019 £m**	52 weeks ended 31 Mar 2018 £m
(Loss)/profit for the period		**(33.8)**	7.2
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	10	**53.2**	174.8
Deferred tax charge	5	**(9.1)**	(29.7)
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**(0.2)**	0.5
Other comprehensive income, net of tax		**43.9**	145.6
Total comprehensive income attributable to owners of the parent		**10.1**	152.8

Consolidated balance sheet

	Note	**As at 30 Mar 2019 £m**	As at 31 Mar 2018 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		**186.0**	185.2
Goodwill		**646.0**	646.0
Other intangible assets	7	**366.4**	428.4
Net retirement benefit assets	10	**837.8**	754.0
		2,036.2	2,013.6
Current assets			
Inventories		**77.8**	76.4
Trade and other receivables		**89.2**	74.8
Cash and cash equivalents	12	**27.8**	23.6
Derivative financial instruments		**-**	0.1
		194.8	174.9
Total assets		**2,231.0**	2,188.5
LIABILITIES:			
Current liabilities			
Trade and other payables		**(238.0)**	(214.4)
Financial liabilities			
– derivative financial instruments		**(1.6)**	(2.1)
Provisions for liabilities and charges	9	**(9.7)**	(7.9)
		(249.3)	(224.4)
Non-current liabilities			
Financial liabilities – long term borrowings	8	**(497.7)**	(520.0)
Net retirement benefit obligations	10	**(464.7)**	(437.0)
Provisions for liabilities and charges	9	**(32.4)**	(35.7)
Deferred tax liabilities	5	**(13.5)**	(12.1)
Other liabilities	11	**(10.6)**	(10.0)
		(1,018.9)	(1,014.8)
Total liabilities		**(1,268.2)**	(1,239.2)
Net assets		**962.8**	949.3
EQUITY:			
Capital and reserves			
Share capital		**84.5**	84.1
Share premium		**1,408.6**	1,407.6
Merger reserve		**351.7**	351.7
Other reserves		**(9.3)**	(9.3)
Profit and loss reserve		**(872.7)**	(884.8)
Total equity		**962.8**	949.3

Consolidated statement of cash flows

	Note	**52 weeks ended 30 Mar 2019 £m**	52 weeks ended 31 Mar 2018 £m
Cash generated from operations	12	**80.2**	89.4
Interest paid		**(32.0)**	(39.6)
Interest received		**1.9**	1.6
Other finance income		**7.6**	-
Taxation received		**-**	1.0
Cash generated from operating activities		**57.7**	52.4
Purchases of property, plant and equipment		**(14.3)**	(15.8)
Purchases of intangible assets		**(3.4)**	(3.4)
Sale of property, plant and equipment		**-**	1.3
Cash used in investing activities		**(17.7)**	(17.9)
Repayment of borrowings		**(325.0)**	(197.0)
Proceeds from borrowings		**300.0**	210.0
Financing fees		**(12.2)**	(7.0)
Proceeds from share issue		**1.4**	1.2
Cash (used) in/generated from financing activities		**(35.8)**	7.2
Net increase in cash and cash equivalents		**4.2**	41.7
Cash, cash equivalents and bank overdrafts at beginning of period		**23.6**	(18.1)
Cash, cash equivalents and bank overdrafts at end of period	12	**27.8**	23.6

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Merger reserve	Other reserves	Profit and loss reserve	Total equity
		£m	£m	£m	£m	£m	£m
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	10	-	-	-	-	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
At 1 April 2018		**84.1**	**1,407.6**	**351.7**	**(9.3)**	**(884.8)**	**949.3**
Loss for the period		**-**	**-**	**-**	**-**	**(33.8)**	**(33.8)**
Remeasurements of defined benefit schemes	10	**-**	**-**	**-**	**-**	**53.2**	**53.2**
Deferred tax charge	5	**-**	**-**	**-**	**-**	**(9.1)**	**(9.1)**
Exchange differences on translation		**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Other comprehensive income		**-**	**-**	**-**	**-**	**43.9**	**43.9**
Total comprehensive income		**-**	**-**	**-**	**-**	**10.1**	**10.1**
Shares issued		**0.4**	**1.0**	**-**	**-**	**-**	**1.4**
Share-based payments		**-**	**-**	**-**	**-**	**2.1**	**2.1**
Deferred tax movements on share-based payments	5	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
At 30 March 2019		**84.5**	**1,408.6**	**351.7**	**(9.3)**	**(872.7)**	**962.8**

1. General information

The financial information included in this preliminary announcement does not constitute the Company's statutory accounts for the 52 weeks ended 30 March 2019 and 31 March 2018, but is derived from those accounts. Statutory accounts for the 52 weeks ended 31 March 2018 have been delivered to the registrar of companies, and those for 52 weeks ended 30 March 2019 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. 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 29 September 2018 and 30 March 2019. 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 may include the use of estimates, which is fundamental to the compilation of a set of financial statements. Results may differ from actual amounts.

Critical accounting policies

The following are considered to be the critical accounting policies within the financial statements:

2.1 Deferred tax

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The Group has significant losses related to prior periods. The deferred tax assets and liabilities on a gross basis are material to the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

For the purpose of recognising deferred tax on the pension scheme surplus, withholding tax (at 35%) would apply for any surplus being refunded to the Group at the end of the life of the scheme. Corporation tax (at 17%) would apply for any surplus expected to unwind over the life of the scheme.

The directors have concluded that the corporation tax rate should apply to the recognition of deferred tax on the pension scheme surplus, reflecting the directors' intention regarding the manner of recovery of the asset.

Deferred tax is recognised in the statement of profit or loss except when it relates to items credited or charged directly to OCI, in which case the deferred tax is also recognised in equity.

When calculating the value of the deferred tax asset or liability, consideration is given to the size of gross deferred tax liabilities and deferred tax assets available to offset this. To the extent that deferred tax assets exceed liabilities, estimation is required around the level of asset that can be supported. The following factors are taken into consideration.

- Historic business performance
- Projected profits or losses and other relevant information that allow profits chargeable to corporation tax to be derived
- The total level of recognised and unrecognised losses that can be used to reduce future forecast taxable profits
- The period over which there is sufficient certainty that profits can be made that would support the recognition of an asset

Further disclosures are contained within note 5.

Estimates

The following are considered to be the key estimates within the financial statements:

2.2 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 10.

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).

Equalisation of Guaranteed Minimum Pension benefits ("GMP") has been estimated taking the minimum cost approach permitted by the Lloyds Judgment. The costs are based on a comparison of the cumulative value of members' benefits with the benefits of a notional member of the opposite sex. This is method C2 under the terminology of the Lloyds Judgment, more detail on GMP is included in note 10.

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.

Where statements are not available at the reporting date a roll forward of cash transactions between statement date and balance sheet date is performed.

2.3 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 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.

If the Group concludes that an impairment review is necessary in respect of intangible brand assets, an analysis of value in use and fair value less costs to sell is performed. When assessing fair value less costs to sell, the Group considers the royalty that would otherwise be payable if the brand were licenced over the life of the brand and compares this to the carrying value and also an EBITDA multiple approach. Key assumptions include the level of royalty and EBITDA multiple.

2.4 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, funding level 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 customer 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.

2.5 Inventory valuation

Management has used estimation in the valuation of finished goods taking into account shelf life, inventory turnover and condition of inventory held at the period end. Consideration is given to the shelf life of the inventory and any customer agreements that specify an expected remaining shelf life of each product.

Judgements

The following are considered to be the key judgements within the financial statements:

2.6 Non-trading items

Non-trading items have been presented separately throughout the financial statements. These are items that management believes require separate disclosure by virtue of their nature in order that the users of the financial statements obtain a clear and consistent view of the Group’s underlying trading performance. In identifying non-trading items, management have applied judgement including whether i) the item is related to underlying trading of the Group; and/or ii) how often the item is expected to occur.

The Directors believe that users of the financial statements are most interested in underlying trading performance and cash generation of the Group. As such intangible asset amortisation and impairment are excluded from trading profit because they are non-cash items.

The GMP equalisation charge has been excluded from trading profit because it is a one-off material item not related to underlying trading performance of the Group.

Restructuring costs have been excluded from trading profit because they are incremental costs incurred as part of specific initiatives that may distort a user’s view of underlying trading performance.

Net regular interest is used to present the interest charge related to the Group’s ongoing financial indebtedness, and therefore excludes non-cash items and other credits/charges which are included in the Group’s net finance cost.

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, non-trading items, fair value movements on foreign exchange and other derivative contracts and net interest on pensions and administrative expenses.

During the period, the Group has additionally excluded pension past service costs and credits from trading profit in order to present a clear and consistent view of underlying trading performance.

The segment results for the period ended 30 March 2019 and for the period ended 31 March 2018 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	52 weeks ended 30 March 2019			52 weeks ended 31 March 2018		
	Grocery	**Sweet Treats**	**Total**	Grocery	Sweet Treats	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**597.0**	**227.3**	**824.3**	589.2	230.0	819.2
Divisional contribution	**138.3**	**23.6**	**161.9**	130.0	25.8	155.8
Group and corporate costs			**(33.4)**			(32.8)
Trading profit			**128.5**			123.0
Amortisation of intangible assets			**(34.4)**			(36.3)
Fair value movements on foreign exchange and other derivative contracts			**(1.3)**			0.1
Net interest on pensions and administrative expenses			**(1.3)**			(2.5)
Non-trading items:[1]						
GMP equalisation charge			**(41.5)**			-
Restructuring costs			**(16.8)**			(8.5)
Impairment of intangible assets and goodwill			**(30.6)**			(6.5)
Other			**1.9**			-
Operating profit			**4.5**			69.3
Finance cost			**(56.7)**			(50.4)
Finance income[2]			**9.5**			1.6
Net movement on fair valuation of interest rate financial instruments			**-**			0.4
(Loss)/profit before taxation			**(42.7)**			20.9
Depreciation	**(9.0)**	**(8.0)**	**(17.0)**	(8.5)	(8.1)	(16.6)

[1]Non-trading items include restructuring costs of £16.8m (2017/18: £8.5m) relating primarily to implementation costs incurred during the Group's warehousing and distribution consolidation, principally labour, rent and inventory costs.
[2]Finance income includes reversal of the impairment of the Hovis loan note, driven by the receipt of £7.6m from Hovis.

Revenues in the period ended 30 March 2019, from the Group's four principal customers, which individually represent over 10% of total Group revenue, are £184.8m, £119.6m, £90.2m and £86.2m (2017/18: £179.7m, £118.1m, £87.7m and £87.6m). These revenues relate to both the Grocery and Sweet Treats reportable segments.

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 30 Mar 2019	52 weeks ended 31 Mar 2018
	£m	£m
United Kingdom	**770.8**	758.1
Other Europe	**26.1**	27.6
Rest of world	**27.4**	33.5
Total	**824.3**	819.2

Non-current assets

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
United Kingdom	**2,036.2**	2,013.6

4. Finance income and costs

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Interest payable on bank loans and overdrafts	**(6.2)**	(7.8)
Interest payable on senior secured notes	**(31.7)**	(32.2)
Interest payable on revolving facility	**(0.8)**	(1.1)
Interest receivable on interest rate derivatives	**-**	0.1
Other interest payable[1]	**(3.0)**	(0.4)
Amortisation of debt issuance costs	**(3.7)**	(5.0)
	(45.4)	(46.4)
Write off of financing costs[2]	**(5.7)**	(4.0)
Early redemption fee[3]	**(5.6)**	-
Total finance cost	**(56.7)**	(50.4)
Interest receivable on bank deposits	**1.9**	1.6
Movement on fair valuation of interest rate derivative financial instruments	**-**	0.4
Other finance income[4]	**7.6**	-
Total finance income	**9.5**	2.0
Net finance cost	**(47.2)**	(48.4)

[1]Included in other interest payable is £3.0m charge (2017/18: £0.4m credit) relating to the unwind of the discount on certain of the Group's long term provisions.

[2] Relates to the refinancing of the senior secured fixed rate notes due 2021 and revolving credit facility in the current period and senior secured floating rate notes due 2020 in the previous period.

[3] Relates to a non-recurring payment arising on the early redemption of the £325m senior secured fixed rate notes due 2021 as part of the refinancing of the Group's debt in the period.

[4] Relates to partial reversal of the impairment of the Hovis loan note, driven by the receipt of £7.6m from Hovis.

The net movement on fair valuation of interest rate financial instruments in 2017/18 related to a £0.4m favourable movement on close out of the interest rate swaps, which expired in December 2017.

5. Taxation

Current tax

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Overseas current tax		
- Current year	**1.1**	0.8
Deferred tax		
- Current period	**6.1**	(4.1)
- Prior periods	**1.7**	(8.1)
- Adjustment to restate opening deferred tax at 17.0%	**-**	(2.3)
Income tax credit/(charge)	**8.9**	(13.7)

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 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Deferred tax credit on losses	**1.1**	4.1
Deferred tax credit/(charge) on pension movements	**(10.2)**	(33.8)
	(9.1)	(29.7)

The tax credit/(charge) for the period differs from the standard rate of corporation tax in the United Kingdom of 19.0% (2017/18: 19.0%). The reasons for this are explained below:

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
(Loss)/profit before taxation	**(42.7)**	20.9
Tax credit/(charge) at the domestic income tax rate of 19.0% (2017/18: 19.0%)	**8.2**	(4.0)
Tax effect of:		
Non-deductible items	**(0.9)**	(0.1)
Other disallowable items	**-**	(0.4)
Impairment of goodwill	**-**	(0.8)
Adjustment for share-based payments	**(0.4)**	(0.6)
Adjustment due to current period deferred tax being provided at 17.0% (2017/18: 17.0%)	**(0.8)**	0.7
Movements in losses recognised	**-**	1.1
Adjustment to restate opening deferred tax at 17.0% (2017/18: 17.0%)	**-**	(2.3)
Adjustments to prior periods	**1.7**	(8.1)
Current tax relating to overseas business	**1.1**	0.8
Income tax credit/(charge)	**8.9**	(13.7)

The movements in losses recognised for the period ended 30 March 2019 is £nil (2017/18: £1.1m). Corporation tax losses are not recognised where future recoverability is uncertain.

The adjustments to prior periods of £1.7m (2017/18: £(8.1m)) relates mainly to the adjustment of prior period losses and capital allowances which have been revised following submission of tax returns.

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% (2017/18: 17.0%).

	2018/19 £m	2017/18 £m
At 1 April 2018 / 2 April 2017	**(12.1)**	32.4
Credited/(charged) to the statement of profit or loss	**7.8**	(14.5)
Charged to other comprehensive income	**(9.1)**	(29.7)
Charged to equity	**(0.1)**	(0.3)
At 30 March 2019 / 31 March 2018	**(13.5)**	(12.1)

The Group has not recognised £3.0m of deferred tax assets (2017/18: £2.2m not recognised) relating to UK corporation tax losses. In addition the Group has not recognised a tax asset of £34.8m (2017/18: £34.8m) relating to ACT and £41.3m (2017/18: £42.1m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

Deferred tax liabilities	**Intangibles £m**	**Retirement benefit obligation £m**	**Other £m**	**Total £m**
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)**
At 1 April 2018	**(54.2)**	**(53.8)**	**(0.2)**	**(108.2)**
Current period credit	**6.7**	**1.5**	**-**	**8.2**
Charged to other comprehensive income	**-**	**(10.2)**	**-**	**(10.2)**
Prior period charge				
- To statement of profit or loss	**(0.1)**	**-**	**(0.8)**	**(0.9)**
At 30 March 2019	**(47.6)**	**(62.5)**	**(1.0)**	**(111.1)**

Deferred tax assets	Accelerated tax depreciation £m	Share based payments £m	Losses £m	Other £m	Total £m
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**
At 1 April 2018	**48.3**	**1.0**	**42.6**	**4.2**	**96.1**
Current period credit/(charge)	**1.3**	**-**	**(1.8)**	**(1.6)**	**(2.1)**
Credited to other comprehensive income	**-**	**-**	**1.1**	**-**	**1.1**
Charged to equity	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Prior period (charge)/credit:					
- To statement of profit or loss	**3.1**	**-**	**(0.9)**	**0.4**	**2.6**
At 30 March 2019	**52.7**	**0.9**	**41.0**	**3.0**	**97.6**

Net deferred tax liability	£m
As at 30 March 2019	**(13.5)**
As at 31 March 2018	(12.1)

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. (Loss)/earnings per share

Basic (loss)/earnings per share has been calculated by dividing the loss attributable to owners of the parent of £33.8m (2017/18: £7.2m profit) by the weighted average number of ordinary shares of the Company.

Weighted average shares

	2018/19 Number (000s)	2017/18 Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**841,454**	836,818
Effect of dilutive potential ordinary shares:		
- Share options	**-**	4,872
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**841,454**	841,690

(Loss)/earnings per share calculation

	52 weeks ended 30 March 2019			52 weeks ended 31 March 2018		
	Basic	**Dilutive effect of share options**	**Diluted**	Basic	Dilutive effect of share options	Diluted
(Loss)/profit after tax (£m)	**(33.8)**		**(33.8)**	7.2		7.2
(Loss)/earnings per share (pence)	**(4.0)**	**-**	**(4.0)**	0.9	0.0	0.9

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.

There is no dilutive effect of share options calculated in the current period as the Group made a loss.

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% (2017/18: 19.0%) 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, other finance income, early redemption fee, the fair value movements on interest rate financial instruments and other interest payable.

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 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Trading profit	**128.5**	123.0
Less net regular interest	**(40.5)**	(44.4)
Adjusted profit before tax	**88.0**	78.6
Notional tax at 19.0% (2017/18: 19%)	**(16.7)**	(14.9)
Adjusted profit after tax	**71.3**	63.7
Average shares in issue (m)	**841.5**	836.8
Adjusted EPS (pence)	**8.5**	7.6
Net regular interest		
Net finance cost	**(47.2)**	(48.4)
Exclude other finance income	**(7.6)**	-
Exclude fair value movements on interest rate financial instruments	**-**	(0.4)
Exclude write-off of financing costs	**5.7**	4.0
Exclude early redemption fee	**5.6**	-
Exclude other interest payable	**3.0**	0.4
Net regular interest	**(40.5)**	(44.4)

7. Other Intangible assets

	Software £m	Brands/ trademarks/ licences £m	Customer relationships £m	Assets under construction £m	Total £m
Cost					
At 1 April 2017	132.9	693.2	134.8	4.1	965.0
Additions	1.7	-	-	1.2	2.9
Transferred into use	4.0	-	-	(4.0)	-
At 31 March 2018	**138.6**	**693.2**	**134.8**	**1.3**	**967.9**
Additions	**1.7**	**-**	**-**	**1.3**	**3.0**
Transferred into use	**0.7**	**-**	**-**	**(0.7)**	**-**
At 30 March 2019	**141.0**	**693.2**	**134.8**	**1.9**	**970.9**
Accumulated amortisation and impairment					
At 1 April 2017	(95.5)	(270.7)	(134.8)	-	(501.0)
Amortisation charge	(13.1)	(23.2)	-	-	(36.3)
Impairment charge	-	(2.2)	-	-	(2.2)
At 31 March 2018	**(108.6)**	**(296.1)**	**(134.8)**	**-**	**(539.5)**
Amortisation charge	**(11.4)**	**(23.0)**	**-**	**-**	**(34.4)**
Impairment charge	**-**	**(30.6)**	**-**	**-**	**(30.6)**
At 30 March 2019	**(120.0)**	**(349.7)**	**(134.8)**	**-**	**(604.5)**
Net book value					
At 31 March 2018	30.0	397.1	-	1.3	428.4
At 30 March 2019	**21.0**	**343.5**	**-**	**1.9**	**366.4**

All amortisation is recognised within administrative costs.

Included in the assets under construction additions for the period are £1.1m (2017/18: £0.4m) in respect of internal costs.

The Group's borrowings are secured on the assets of the Group including other intangible assets.

The material brands held on the balance sheet are as follows:

	Carrying value at 30 March 2019 £m	**Estimated useful life remaining Years**
Bisto	107.8	18
Oxo	75.2	28
Batchelors	56.0	18
Mr Kipling	41.8	18
Sharwood's	23.4	18

Intangible assets impairment charge

The intangible asset impairment relates to two brands, *Sharwood's*: £27.5m, and *Saxa*: £3.1m. The impairments reflect management's latest assessment of brand value following a strategic review of the Group's brands and a re-evaluation of the assumptions which underpin the valuation.

8. Bank and other borrowings

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Non-current:		
Secured senior credit facility – revolving	**-**	-
Transaction costs	**5.8**	5.6
	5.8	5.6
Senior secured notes	**(510.0)**	(535.0)
Transaction costs	**6.5**	9.4
	(503.5)	(525.6)
Total borrowings due after more than one year	**(497.7)**	(520.0)
Total bank and other borrowings	**(497.7)**	(520.0)

Secured senior credit facility - revolving

The revolving credit facility of £177m is due to mature in December 2022 and attracts a leverage based margin of between 2.25% and 3.75% 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]**
2019/20 FY	4.50x	2.75x
2020/21 FY	4.25x	2.85x

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

Senior secured notes

The senior secured notes are listed on the Irish GEM Stock Exchange. The notes totalling £510m are split between fixed and floating tranches. The fixed note of £300m matures in October 2023 and attracts an interest rate of 6.25%. The floating note of £210m matures in July 2022 and attracts an interest rate of 5.00% above LIBOR.

9. Provisions for liabilities and charges

Property provisions primarily relate to provisions for non-operational leasehold properties, dilapidations against leasehold properties and environmental liabilities. The costs relating to certain non-operational leasehold properties and dilapidation provisions and will be incurred over a number of years in accordance with the length of the leases. Other provisions primarily relate to insurance and legal matters and provisions for restructuring costs. These provisions have been discounted at rates between 0.69% and 1.55% (2017/18: 0.99% and 1.77%). The unwinding of the discount is charged or credited to the statement of profit or loss under finance cost.

	Property £m	**Other £m**	**Total £m**
At 1 April 2017	(34.0)	(19.1)	(53.1)
Utilised during the period	1.0	5.0	6.0
Additional charge in the period	(1.0)	(1.2)	(2.2)
Unwind of discount	0.4	-	0.4
Released during the period	1.5	3.8	5.3
At 31 March 2018	**(32.1)**	**(11.5)**	**(43.6)**
Utilised during the period	**2.4**	**1.0**	**3.4**
Additional charge in the period	**-**	**(2.6)**	**(2.6)**
Unwind of discount	**(3.0)**	**-**	**(3.0)**
Released during the period	**0.9**	**2.8**	**3.7**
At 30 March 2019	**(31.8)**	**(10.3)**	**(42.1)**

Ageing of total provisions:	**As at 30 Mar 2019 £m**	As at 31 Mar 2018 £m
Within one year	**(9.7)**	(7.9)
Between 2 and 5 years	**(5.1)**	(10.9)
After 5 years	**(27.3)**	(24.8)
Total	**(42.1)**	(43.6)

10. 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 the RHM pension scheme 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 = €1.1334 for the average rate during the period, and £1.00 = €1.1612 for the closing position at 30 March 2019.

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 to support the security and funding of their pension obligations. Asset classes used include government bonds, private equity, absolute return products, swaps and infrastructure.

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 RHM Pension Scheme holds a security over the assets of the Group which ranks pari passu with the banks and bondholders in the event of insolvency, up to a cap.

The schemes incorporate a Liability Driven Investment (LDI) strategy to more closely match the assets with changes in value of liabilities. The RHM Pension Scheme uses assets including interest rate and inflation swaps, index linked bonds and infrastructure in its LDI strategy. The smaller schemes use a pooled fund approach for LDI.

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 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.
- Investment risk – the risk that investments do not perform in line with expectations.

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 47% in respect of former active members who have yet to retire and approximately 53% in respect of pensioner members already in receipt of benefits.

All pension schemes are closed to future accrual.

On 26 October 2018 the High Court handed down its judgment in the Lloyds Banking Group case. The judgment confirmed the requirement to equalise the Guaranteed Minimum Pension benefits accrued between 1990 and 1997 from contracting out of the State Earnings Related Pension Scheme, treating men and women equally with respect to these benefits. The judgment highlighted an acceptable range of methods the Trustees are entitled to adopt to achieve equalisation. The estimated cost of equalisation is £41.5m and has been recognised as a past service cost through the income statement. The cost represents the Directors' best estimate of the cost based on actuarial advice and is consistent with the principles outlined in the judgment.

The final cost will differ from this amount when the actual method of equalisation is agreed with the scheme Trustees and subsequently implemented. The cost related to equalisation was between 0.8% and 1.5% of scheme liabilities. A sensitivity analysis of the equalisation costs is as follows:

- a 0.1% increase in the percentage of liability impacted by GMP equalisation would lead to an increase in the defined benefit obligation of approximately £5m
- a 0.1% decrease in the percentage of liability impacted by GMP equalisation would lead to a decrease in the defined benefit obligation of approximately £5m

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

	At 30 Mar 2019		At 31 Mar 2018	
	Premier schemes	**RHM schemes**	**Premier schemes**	**RHM schemes**
Discount rate	**2.45%**	**2.45%**	2.70%	2.70%
Inflation – RPI	**3.25%**	**3.25%**	3.15%	3.15%
Inflation – CPI	**2.15%**	**2.15%**	2.05%	2.05%
Expected salary increases	**n/a**	**n/a**	n/a	n/a
Future pension increases	**2.10%**	**2.10%**	2.10%	2.10%

For the smaller overseas schemes the discount rate used was 1.50% (2017/18: 1.80%) and future pension increases were 1.30% (2017/18: 1.45%).

At 30 March 2019 and 31 March 2018, the discount rate was derived based on a bond yield 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 30 Mar 2019		At 31 Mar 2018	
	Premier schemes	**RHM schemes**	**Premier schemes**	**RHM schemes**
Male pensioner, currently aged 65	**87.4**	**85.3**	87.6	85.8
Female pensioner, currently aged 65	**89.3**	**87.8**	89.5	88.3
Male non-pensioner, currently aged 45	**88.4**	**86.1**	88.6	86.7
Female non-pensioner, currently aged 45	**90.5**	**88.9**	90.7	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 £78.1m/£79.9m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £35.2m/£30.6m
Assumed life expectancy at age 60 (rate of mortality)	Increase/decrease by 1 year	Increase/decrease by £208.2m/£208.6m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 30 March 2019. 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 30 March 2019:						
UK equities	**0.4**	**0.1**	**0.3**	**0.0**	**0.7**	**0.0**
Global equities	**7.5**	**1.1**	**171.3**	**4.0**	**178.8**	**3.5**
Government bonds	**29.9**	**4.2**	**1,460.5**	**33.6**	**1,490.4**	**29.7**
Corporate bonds	**26.9**	**3.8**	**-**	**-**	**26.9**	**0.5**
Property	**31.3**	**4.4**	**405.2**	**9.4**	**436.5**	**8.7**
Absolute return products	**365.7**	**51.7**	**775.5**	**17.9**	**1,141.2**	**22.6**
Cash	**8.0**	**1.1**	**30.1**	**0.7**	**38.1**	**0.8**
Other	**224.8**	**31.8**	**2.8**	**0.1**	**227.6**	**4.5**
Assets without a quoted price in an active market at 30 March 2019:						
Infrastructure funds	-	**-**	**256.1**	**5.9**	**256.1**	**5.1**
Swaps	**-**	**-**	**556.4**	**12.8**	**556.4**	**11.0**
Private equity	**-**	**-**	**446.1**	**10.3**	**446.1**	**8.8**
Other	**12.6**	**1.8**	**229.3**	**5.3**	**241.9**	**4.8**
Fair value of scheme assets as at 30 March 2019	**707.1**	**100**	**4,333.6**	**100**	**5,040.7**	**100**
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

For assets without a quoted price in an active market fair value is determined with reference to net asset value statements provided by third parties.

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:

	Premier schemes	RHM schemes	At 30 March 2019 Total	Premier schemes	RHM schemes	At 31 March 2018 Total
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	**(1,171.8)**	**(3,495.8)**	**(4,667.6)**	(1,116.1)	(3,430.5)	(4,546.6)
Fair value of plan assets	**707.1**	**4,333.6**	**5,040.7**	679.1	4,184.5	4,863.6
(Deficit)/surplus in schemes	**(464.7)**	**837.8**	**373.1**	(437.0)	754.0	317.0

The aggregate surplus of £317.0m has increased to a surplus of £373.1m in the current period. This increase of £56.1m (2017/18: £212.2m increase) is primarily due remeasurement gains on assets and change in demographic (mortality) assumptions.

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

	Premier schemes	RHM schemes	Total
	£m	£m	£m
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)**
Interest cost	**(29.1)**	**(90.3)**	**(119.4)**
Past service cost	**(11.1)**	**(26.5)**	**(37.6)**
Remeasurement losses	**(53.9)**	**(94.6)**	**(148.5)**
Exchange differences	**0.8**	**0.5**	**1.3**
Benefits paid	**37.6**	**145.6**	**183.2**
Defined benefit obligation at 30 March 2019	**(1,171.8)**	**(3,495.8)**	**(4,667.6)**

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

	Premier schemes	RHM schemes	Total
	£m	£m	£m
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**
Interest income on plan assets	**17.7**	**110.7**	**128.4**
Remeasurement gains	**14.2**	**187.5**	**201.7**
Administrative costs	**(6.5)**	**(3.8)**	**(10.3)**
Contributions by employer	**41.1**	**0.8**	**41.9**
Exchange differences	**(0.9)**	**(0.5)**	**(1.4)**
Benefits paid	**(37.6)**	**(145.6)**	**(183.2)**
Fair value of plan assets at 30 March 2019	**707.1**	**4,333.6**	**5,040.7**

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 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**
Amount recognised in profit or loss	**(29.0)**	**(9.9)**	**(38.9)**
Remeasurements recognised in other comprehensive income	**(39.7)**	**92.9**	**53.2**
Contributions by employer	**41.1**	**0.8**	**41.9**
Exchange differences recognised in other comprehensive income	**(0.1)**	**-**	**(0.1)**
(Deficit)/surplus in schemes at 30 March 2019	**(464.7)**	**837.8**	**373.1**

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

	Premier schemes £m	RHM schemes £m	2018/19 Total £m	Premier schemes £m	RHM schemes £m	2017/18 Total £m
Remeasurement (loss)/gain on plan liabilities	**(53.9)**	**(94.6)**	**(148.5)**	36.6	87.6	124.2
Remeasurement gain/(loss) on plan assets	**14.2**	**187.5**	**201.7**	(7.6)	58.2	50.6
Net remeasurement (loss)/gain for the period	**(39.7)**	**92.9**	**53.2**	29.0	145.8	174.8

The actual return on plan assets was a £330.1m gain (2017/18: £176.5m gain), which is £201.7m more (2017/18: £50.6m more) than the interest income on plan assets of £128.4m (2017/18: £125.9m).

The remeasurement loss on liabilities of £148.5m (2017/18: £124.2m gain) comprises a loss due to changes in financial assumptions of £226.7m (2017/18: £83.9m gain), a loss due to member experience of £9.1m (2017/18: £32.8m gain) and a gain due to demographic assumptions of £87.3m (2017/18: £7.5m gain).

The net remeasurement gain taken to the consolidated statement of comprehensive income was £53.2m (2017/18: £174.8m gain). This gain was £44.1m (2017/18: £145.1m gain) 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, that the trustees of the RHM pension scheme do not have the unilateral right to wind up the scheme, so the asset has not been restricted and no additional liability has been recognised.

The International 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:

	2018/19			2017/18		
	Premier schemes	RHM schemes	Total	Premier schemes	RHM schemes	Total
	£m	£m	£m	£m	£m	£m
Operating profit						
Past service costs						
GMP Equalisation	**(26.5)**	**(15.0)**	**(41.5)**	-	-	-
Other	**-**	**3.9**	**3.9**	-	-	-
Administrative costs	**(6.5)**	**(3.8)**	**(10.3)**	(3.0)	(2.5)	(5.5)
Net interest (cost)/credit	**(11.4)**	**20.4**	**9.0**	(12.6)	15.6	3.0
Total (cost)/credit	**(44.4)**	**5.5**	**(38.9)**	(15.6)	13.1	(2.5)

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 £6.7m (2017/18: £6.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

11. Other liabilities

	As at 30 Mar 2019	As at 31 Mar 2018
	£m	£m
Deferred income	**(8.4)**	(9.8)
Other accruals	**(2.2)**	(0.2)
Other liabilities	**(10.6)**	(10.0)

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

12. Notes to the cash flow statement

Reconciliation of (loss)/profit before tax to cash flows from operations

	52 weeks ended 30 Mar 2019	52 weeks ended 31 Mar 2018
	£m	£m
(Loss)/profit before taxation	**(42.7)**	20.9
Net finance cost	**47.2**	48.4
Operating profit	**4.5**	69.3
Depreciation of property, plant and equipment	**17.0**	16.6
Amortisation of intangible assets	**34.4**	36.3
Loss on disposal of non-current assets	**0.3**	0.1
Impairment of intangible assets	**30.6**	2.2
Impairment of goodwill	**-**	4.3
Fair value movements on foreign exchange and other derivative contracts	**1.3**	(0.1)
Equity settled employee incentive schemes	**2.1**	2.8
GMP equalisation and past service cost related to defined benefit pension schemes[1]	**37.6**	-
Increase in inventories	**(1.4)**	(5.1)
Increase in trade and other receivables	**(14.4)**	(10.2)
Increase in trade and other payables and provisions	**8.8**	10.7
Movement in retirement benefit obligations	**(40.6)**	(37.5)
Cash generated from operations	**80.2**	89.4

[1] For further detail of GMP equalisation, please refer to note 10.

Reconciliation of cash and cash equivalents to net borrowings

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Net inflow of cash and cash equivalents	**4.2**	41.7
Decrease in finance leases	**-**	0.1
Decrease/(increase) in borrowings	**25.0**	(13.0)
Other non-cash movements	**(2.7)**	(2.0)
Decrease in borrowings net of cash	**26.5**	26.8
Total net borrowings at beginning of period	**(496.4)**	(523.2)
Total net borrowings at end of period	**(469.9)**	(496.4)

Analysis of movement in borrowings

	As at 31 Mar 2018 £m	Cash flows £m	Other non-cash movements £m	As at 30 Mar 2019 £m
Cash and bank deposits	23.6	4.2	-	**27.8**
Net cash and cash equivalents	23.6	4.2	-	**27.8**
Borrowings - senior secured notes	(535.0)	25.0	-	**(510.0)**
Gross borrowings net of cash[1]	(511.4)	29.2	-	**(482.2)**
Debt issuance costs[2]	15.0	-	(2.7)	**12.3**
Total net borrowings[1]	(496.4)	29.2	(2.7)	**(469.9)**

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

The Group has the following cash pooling arrangements in sterling, euros and US dollars, where both the Group and the bank have a legal right of offset.

	As at 30 Mar 2019			As at 31 Mar 2018		
	Offset asset	**Offset liability**	**Net offset asset**	Offset asset	Offset liability	Net offset asset
Cash, cash equivalents and bank overdrafts	**158.0**	**(130.2)**	**27.8**	121.1	(97.5)	23.6

13. Contingencies

There were no material contingent liabilities at 30 March 2019 (2017/18: none).

14. Subsequent events

There were no reportable events after the balance sheet date.