16 May 2017

Premier Foods plc

Preliminary results for the 52 weeks ended 1 April 2017

Underlying results[1]	FY16/17	FY15/16	Change (%)
Group underlying sales (£m)[3]	790.4	801.3	(1.4%)
Underlying Trading profit (£m)[4]	117.0	129.1	(9.3%)
Adjusted profit before tax (£m)[9]	74.2	84.2	(11.8%)
Adjusted earnings per share (pence)[11]	7.2	8.1	(12.2%)
Statutory measures	**FY16/17**	**FY15/16**	**Change (%)**
Revenue (£m)	790.4	771.7	2.4%
Operating profit (£m)	61.5	54.5	12.7%
Profit/(loss) before taxation (£m)	12.0	(13.0)	-
Basic earnings per share (pence)	0.7	4.1	(82.9%)

Headlines

- Full year Group underlying sales (1.4%) lower; Q4 Group underlying sales down (1.0%)
- Market share growth in six of eight largest brands
- International sales increased +18%
- Underlying Trading profit £117.0m compared to £129.1m in FY15/16
- Adjusted profit before tax £74.2m; Statutory profit before tax £12.0m
- Net debt[13] reduced to £523.2m from £534.2m
- Pensions combined surplus £104.8m; Net present value of deficit contribution schedule £300-£320m

Strategic update

- A balanced approach across revenue growth, cost efficiencies and cash generation
- UK to grow ahead of category levels through continued brand investment and innovation
- International business unit to continue delivering strong double-digit sales growth
- Exciting Cadbury and Nissin strategic partnerships significantly enhance growth ambitions
- Substantial cost savings programmes to deliver £20m benefits over next two years
- Extended revolving credit facility and launched offering of new £210m 5 year Senior Secured floating rate notes
- Significant focus on reducing Net debt/EBITDA[7] ratio to below 3.0x in the next 3-4 years

Gavin Darby, Chief Executive Officer

"This financial year has been a challenging one for the industry, with the return of food inflation and changing retailer promotional strategies. Despite this, we have grown market share in six of our eight largest brands, outperformed many of our peers in the latter part of the year and accelerated International sales growth to 18%. We have continued to invest in brand innovation and marketing, our customer relationships remain strong and we recently agreed a £32m reduction in cash payments to our pension schemes over the next three years."

"With the industry changing rapidly, we have updated our strategy to give an equal focus to revenue growth, cost efficiencies and cash generation. In the UK, growing ahead of our categories continues to be a core objective for us and our plans for International are for further strong growth. We are excited by our global strategic relationships with Cadbury and Nissin and our recently announced cost savings programme is expected to deliver £20m over the next two years. We are focused on reducing our leverage ratio through profit improvement and debt reduction."

"This year has started on a solid footing; we are very pleased to announce an extension of our bank facilities and the proposed issue of a new bond. We plan to deliver progress in FY17/18, while noting this progress is expected to be weighted more to the second half of the year."

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

A presentation to investors and analysts will take place today, 16 May 2017, 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, 16 May 2017, 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:	19055320

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 –

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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.

Strategic update

Recent developments in the external environment have adversely affected the Group's performance. As a result, the Board has reviewed its strategy and decided to adjust the balance of priorities between existing strategic objectives. Previously this balance was weighted towards delivering category (and hence sales) growth. Going forward the Board will pursue a strategy which is more evenly balanced between the three objectives of delivering sales growth, achieving cost and efficiency savings and reducing net debt. The following summary outlines this balanced approach:

1. <u>**Protect and drive revenues**</u>

(a) UK

(i) Continuing to invest in innovation and marketing to drive growth ahead of category levels, using the Group's UK focused consumer insights, launching relevant and innovative products to market.

(ii) Continue to build on the Group's strong customer relationships through collaboration, category management expertise and UK based shopper insights.

(b) International

Deliver double-digit sales growth in the medium term, building on strong progress in key geographies such as Australasia and the USA and extending more widely to the Middle East, Canada and South Africa.

(c) Strategic partnerships

The Group has recently signed non-binding Heads of Terms to be a Strategic Global Partner with Mondelez International for Cadbury cake. Once finalised, this agreement will extend the Group's long standing partnership for another five years with the option to the Group of extending this for an additional three years. Additionally, the licence will cover a total of 46 countries with the potential to use the full list of brands in the Cadbury family including Flake, Caramel, Crunchie and Marvellous Creations in addition to the Oreo brand.

Nissin Foods ("Nissin"), the Group's largest shareholder and one of the global leaders in the instant Noodles market provides the Group with access to significant knowledge and expertise in food technology. Nissin has a global presence in many markets which the Group expects to access in fulfilling its international ambitions.

2. <u>**Cost and efficiency**</u>

The Group will increase its focus on cost and efficiency programmes, and expects to deliver aggregate cost efficiency savings of £20m over the next two years.

(a) Logistics restructuring

The Group is establishing a centralised warehousing and distribution operation, combining previously separate Grocery and Sweet Treats logistics operations. The benefits of this restructuring are expected to significantly reduce annual transport miles and pallet transfers.

(b) SG&A restructuring

The Group has reviewed its SG&A overhead cost base and decided to reduce its Executive leadership team from ten to seven and also reduce the number of roles at its head office by over 50. This aims to reduce duplication and complexity in some functional areas.

(c) Manufacturing and procurement

Continuous improvement programmes in manufacturing consist of both capital and non-capital cost reduction projects with objectives including improving manufacturing line efficiencies and reducing process loss.

3. <u>**Cash generation**</u>

(a) Lower pension cash payments

In March 2017, the Group announced it had agreed with the Trustees of the Group pension schemes a reduction of £32m in payments to the schemes over the next three years.

(b) Maintain diversified sources of financing

Extended maturity of the Group's revolving credit facilities and new issuance of 5 year Senior Secured Floating rate notes to 2022

(c) Tightly focused capital expenditure

The Group plans to maintain a tight focus on capital expenditure in the range of £20-£25m over the medium term. The capital projects it invests in are expected to be split in broadly equal parts between growth, cost reduction and infrastructure & maintenance.

4. <u>**Leverage target**</u>

Combining all three strategic pillars outlined above, the Group aims to lower its Net debt / EBITDA ratio to below 3.0x in the next 3-4 years.

Financial results

Sales

Group underlying sales (£m)	Grocery	Sweet Treats	Group
Branded	482.0	177.5	659.5
Non-branded	81.1	49.8	130.9
Total	**563.1**	**227.3**	**790.4**
% change			
Branded	(4.5%)	(0.5%)	(3.5%)
Non-branded	10.7%	11.6%	11.1%
Total	**(2.6%)**	**1.9%**	**(1.4%)**
Statutory revenue			
FY16/17	563.1	227.3	790.4
FY15/16	548.6	223.1	771.7

Note: FY15/16 statutory revenue excludes Knighton Foods revenue of £29.6m. Knighton is consolidated in the results for the Grocery business in FY16/17.

Group underlying sales for the 52 weeks ended 1 April 2017 were £790.4m, a decrease of (1.4%) on the prior year. Branded sales were (3.5%) lower in the year while Non-branded underlying sales increased by 11.1% to £130.9m.

On a statutory basis, revenue grew from £771.7m in the year to £790.4m, an increase of 2.4%, reflecting the inclusion of results from Knighton Foods in FY16/17.

In the fourth quarter of the year, Group underlying sales declined by (1.0%) to £191.0m compared to the equivalent quarter a year ago. While Branded sales were (2.9%) lower, six of the Group's eight largest brands gained value market share in the quarter, with *Batchelors* a particularly strong performer.

The Grocery business unit reported full year underlying sales of £563.1m, which were (2.6%) lower than a year ago. The year started strongly, with the first quarter of the year displaying both Branded and Non-branded sales growth, however a particularly warm end to the second quarter in the UK resulted in a sharp slowdown in some of the key Grocery categories such as gravy, stocks and soups, which resulted in lower sales.

Additionally, the Grocery business has been impacted by changing retailer promotional strategies during the course of the year, and particularly in the second half. A variety of different promotional deals for products sold in major retailers have long been a feature of the grocery landscape in the UK. In FY16/17, the number of multi-buy promotional deals, by aggregate sales value, reduced by 24% across the Group's categories, according to Kantar Worldpanel. In categories which are considered to be expandable, this has resulted in lower sales volumes compared to the comparative period. The Group expects this effect to continue into the first half of FY17/18, and then stabilise thereafter. The Group is introducing multipack formats such as Ambrosia custard 4-packs to mitigate the adverse effect of this change in retailer promotional strategies.

The Group's strategy of bringing new innovative products to market continued during the course of the year, with *Oxo* Stock Pots, *Ambrosia* Deluxe custard and *Batchelors* Super Noodles in a pot format all contributing to market share gains for their respective brands. In particular, *Batchelors* delivered volume growth in the year due to both the Super Noodles pot product launched in the fourth quarter and a refreshed range of Pasta 'n' Sauce products with new contemporary flavours such as Smoky Cheese and Pancetta.

The *Batchelors* Super Noodles Pot product, which launched to market earlier than expected, was the first product which demonstrates the benefits of working closely with the Group's strategic partner and major shareholder, Nissin. Specifically, the access to Nissin's research & development teams and their manufacturing base in Hungary was pivotal in launching this exciting, convenient new product which has already delivered over £1m retail sales value in a short period of time.

Grocery Non-branded underlying sales increased by £7.8m in the year to £81.1m. Business to business sales performance at Knighton Foods was a key contributor to this growth, with volumes increasing as this business transitioned through its recovery phase.

Sweet Treats delivered sales growth of 1.9% in the year to £227.3m, and grew sales in the first three quarters of the year. Branded sales were £1.0m or (0.5%) lower at £177.5m and Non-branded sales grew by 11.6% to £49.8m. *Cadbury* cake performed very strongly in the year, with volumes, sales and market share all ahead of the prior year, while Mr Kipling experienced lower sales due to lower levels of promotional activity. *Cadbury* Amaze Bites, a convenient tub of bite sized chocolate brownies, is now worth approximately £5m in terms of retail sales value (Source: IRI, 31 December 2016).

Growth in Sweet Treats Non-branded sales reflected new contract wins across a broad range of retail customers and in both seasonal and all year round ranges. In particular, the business unit was successful in gaining some premium Mince Pie contracts for the first time.

The Group's International business unit continues to demonstrate excellent progress and has now delivered ten successive quarters of sales growth. In the year, sales were 18% ahead and up 11% on a constant currency basis[12]. This was largely due to a very strong performance in Australasia where sales increased nearly 70% reflecting growth in *Sharwood's* cooking sauces and *Mr Kipling* and *Cadbury* cakes. The Group launched a digital marketing campaign for *Sharwood's* cooking sauces in Australia during the year which has received over 21 million impressions and over 1 million video views to date.

Underlying Trading profit

£m	**FY16/17**	**FY15/16**	**Change**
Underlying Divisional contribution[6]			
Grocery	129.9	140.2	(10.3)
Sweet Treats	19.8	25.0	(5.2)
Total	149.7	165.2	(15.5)
Group & corporate costs	(32.7)	(36.1)	3.4
Underlying Trading profit	**117.0**	**129.1**	**(12.1)**

The Group's underlying Trading profit in FY16/17 was £117.0m compared to £129.1m in the prior year. Divisional contribution was £149.7m in the year, of which £129.9m was generated from the Grocery business and £19.8m from Sweet Treats.

Group & corporate costs were £3.4m lower in the year. Following a weaker trading performance by the Group during the year, no provisions were made for management incentive scheme payments to colleagues.

The decline in Underlying Trading profit performance was impacted by a time lag in recovering input cost inflation; the impact of changing retailer promotional strategies and category declines in the Grocery business following a warmer than usual second quarter. Partly offsetting these impacts were SG&A savings, manufacturing cost efficiencies and slightly lower marketing investment in the year.

The Group has experienced material input cost inflation in the past year, notably in commodities such as sugar, chocolate, dairy, wheat and palm oil. Input costs have also been driven up by currency devaluation.

The Group takes a blended approach to managing these cost increases, managing its own efficiencies, adjusting promotional mechanics and formats where appropriate and finally looking at limited price increases where these cannot be avoided. The Group has worked collaboratively with customers to agree these changes and appropriate settlements were concluded. This collaborative approach, while the most beneficial approach in the long term, took longer than originally foreseen.

During the course of the year, and particularly in the second half, the Group's Grocery categories have been affected by changing retailer promotional strategies, notably a reduction in multi-buy promotions which has the effect of reducing category volumes. In the short term the Group offset this adverse volume impact by upweighting other promotional mechanics such as reduced price deals. However, these mechanics are more costly than multi-buys and resulted in reduced sales per unit.

In the second quarter of the year, a number of the Grocery business's categories were adversely impacted by warmer weather compared to the prior year. In this quarter, categories such as Gravy and Stocks and Soup declined in volume terms by (13.0%) and (16.3%) respectively, while Chilled Salads and Ice Cream, which the Group has no major presence in, grew by 13.7% and 17.3% respectively *(Source: IRI, 12 weeks ended 24 September 2016)*. As a result, and after a strong first quarter when six Grocery brands grew sales, none of the major Grocery brands grew in the second quarter.

Manufacturing overhead costs were lower in the year following the completion of a programme to improve labour flexibility at some of the Group's Grocery manufacturing sites.

During the year, the Group announced a substantial two year cost reduction and efficiency programme. One part of this programme is a significant logistics restructuring which will combine the warehousing and distribution operations of both the Grocery and Sweet Treats businesses into one centralised location. This programme is expected to reduce transport miles by 15% and reduce pallet transfers by 43,000 per annum.

Additionally, the Group has concluded a process which will deliver significant cost savings across its SG&A cost base and has involved its Group Executive team reducing from ten to seven and over 50 roles removed from the Group's head office. This programme is expected to deliver incremental cost savings of £10m, of which approximately 60% relate directly to colleague headcount. The total cash restructuring costs associated with the logistics and SG&A programmes are expected to be £8-£10m in FY17/18.

Operating profit

£m	FY16/17	FY15/16	Change
Underlying adjusted EBITDA[8]	**133.2**	**146.5**	**(13.3)**
Depreciation	(16.2)	(17.4)	1.2
Underlying Trading profit	**117.0**	**129.1**	**(12.1)**
Less: Knighton	-	1.9	1.9
Add: Disposals	-	(2.2)	(2.2)
Trading profit[2]	**117.0**	**128.8**	**(11.8)**
Amortisation of intangible assets	(37.9)	(37.6)	(0.3)
Fair value movements on foreign exchange and derivatives	(1.0)	2.6	(3.6)
Restructuring costs	(15.8)	(11.2)	(4.6)
Net interest on pensions and administrative expenses	(0.8)	(14.5)	13.7
Impairment	-	(13.6)	13.6
Operating profit	**61.5**	**54.5**	**7.0**

Underlying adjusted EBITDA for FY16/17 was £133.2m and depreciation in the year of £16.2m was £1.2m lower than the comparative period.

Operating profit was £61.5m in the year, an increase of £7.0m on the prior year. Amortisation of intangible assets was broadly in line with the comparative year at £37.9m. Intangible assets amortisation included £25.7m relating to brands, trademarks and licences and £12.2m relating to software. Restructuring costs in the year were £15.8m, £4.6m higher than FY15/16, and which relate to corporate activity costs in April 2016 and restructuring charges associated with the Group's logistics restructuring and overhead cost reduction programmes.

Net interest on pensions and administrative expenses were £0.8m in the year, a £13.7m reduction compared to the prior year. This was composed of administrative expenses incurred of £6.3m, partly offset by a net interest credit of £5.6m owing to an opening combined pension schemes surplus. In the prior year an impairment charge of £13.6m due to the write down of associate investments was reported; there were no impairments in FY16/17.

Finance costs

£m	FY16/17	FY15/16	Change
Senior secured notes interest	30.6	30.8	0.2
Bank debt interest	8.1	9.7	1.6
	38.7	40.5	1.8
Amortisation and deferred fees	4.1	4.4	0.3
Net regular interest[10]	**42.8**	**44.9**	**2.1**
Fair value movements on interest rate financial instruments	(0.6)	(0.7)	(0.1)
Write-off of financing costs	0.1	0.4	0.3
Other interest	7.2	0.3	(6.9)
Net finance cost	**49.5**	**44.9**	**(4.6)**

Net regular interest for FY16/17 was £42.8m, a little ahead of the Group's expectations and £2.1m lower than the prior year. The largest component of net regular interest was £30.6m of interest due to holders of the Group's senior secured notes. Bank debt interest of £8.1m was £1.6m lower in the year due to lower levels of average debt and slightly lower LIBOR levels.

Net finance cost was £49.5m in the year, £4.6m higher than FY15/16. The main driver of the change was a decrease in the discount rate used to value long term property provisions the Group holds, which is disclosed in Other interest, and increased from £0.3m in FY15/16 to £7.2m in the year. This increase in the discount unwind, which has no cash effect, is a result of changes in gilt yields over the last twelve months.

Associate investments

The Group holds a 49% interest in Hovis Limited ("Hovis"). In the prior year, the Group wrote down its investment in Hovis to £nil. On 1 April 2016, the Group gained control (as defined under IFRS 10) of Knighton, in which the Group already held 49% of the ordinary share capital and associated voting rights, and hence the results of Knighton were consolidated in the Group's financial statements for the period ended 2 April 2016. On 24 May 2016, the Group acquired the remaining 51% of the ordinary share capital of Knighton.

Taxation

£m	FY16/17	FY15/16	Change
Deferred tax			
- Current period	(6.4)	51.9	(58.3)
- Prior periods	1.1	(4.5)	5.6
- Adjustment to restate opening deferred tax at 17.0%	(1.2)	(0.4)	(0.8)
Income tax (charge)/credit	**(6.5)**	**47.0**	**(53.5)**

A tax charge of £6.5m in the year compared to a £47.0m credit in the prior period. The £6.5m charge included a current period charge of £6.4m, an adjustment to restate opening deferred tax of £1.2m, partly offset by a prior period credit of £1.1m. The current period charge included a tax charge at 20.0% on profit before tax of £2.4m, non-deductible items of £1.0m, an adjustment for share based payments of £0.9m and a credit due to a current period deferred tax adjustment of £0.3m.

Deferred tax assets at 1 April 2017 were £32.4m compared to £25.9m at 2 April 2016.

Earnings per share

Continuing operations (£m)	FY16/17	FY15/16	Change
Operating profit	61.5	54.5	7.0
Net finance cost	(49.5)	(44.9)	(4.6)
Share of loss from associates	-	(22.6)	22.6
Profit/(loss) before taxation	**12.0**	**(13.0)**	**25.0**
Taxation (charge)/credit	(6.5)	47.0	(53.5)
Profit after taxation	5.5	34.0	(28.5)
Average shares in issue	830.1	826.0	(4.1)
Basic earnings per share (pence)	**0.7**	**4.1**	**(3.4)**

Profit before tax was £12.0m in the year, compared to a loss before tax in the comparative period of £13.0m. After a taxation charge of £6.5m in FY16/17, Profit after taxation was £5.5m, which resulted in basic earnings per share of 0.7 pence.

Adjusted earnings per share (£m)	FY16/17	FY15/16	Change
Underlying Trading profit	117.0	129.1	(12.1)
Less: Net regular interest	(42.8)	(44.9)	2.1
Adjusted profit before tax	**74.2**	**84.2**	**(10.0)**
Less: Notional tax @ 20.0%	(14.8)	(16.8)	2.0
Adjusted profit after tax	59.4	67.4	(8.0)
Average shares in issue (millions)	830.1	826.0	(4.1)
Adjusted EPS (pence)	**7.2**	**8.1**	**(0.9)**

Adjusted profit before tax was £74.2m in the year, compared to £84.2m in FY15/16. This reflects the Underlying Trading profit performance in the year, partly offset by a lower net regular interest charge compared to the prior year. Adjusted profit after tax was £59.4m after deducting a notional 20.0% tax charge, a decrease of £8.0m compared to the prior year. Based on average shares in issue of 830.1 million shares, adjusted earnings per share in the year was 7.2 pence, a 0.9 pence reduction on FY15/16.

Free cash flow

£m	FY16/17	FY15/16
Underlying Trading profit	117.0	129.1
Depreciation	16.2	17.4
Other non-cash items	4.3	4.1
Interest	(39.8)	(41.7)
Pension contributions	(51.7)	(12.9)
Capital expenditure	(20.9)	(25.4)
Working capital & other	4.8	2.1
Restructuring costs	(13.7)	(7.5)
Purchase of own shares	(1.1)	(1.8)
Knighton	-	(7.7)
Free cash flow[14]	**15.1**	**55.7**
Statutory cash flow statement		
Cash generated from operating activities	37.0	95.4
Cash used in investing activities	(20.9)	(30.1)
Cash used in financing activities	(42.0)	(79.2)
Net decrease in cash & cash equivalents	**(25.9)**	**(13.9)**

Free cash flow in the year was an inflow of £15.1m. Depreciation, at £16.2m, was £1.2m lower than the prior year, and non-cash items of £4.3m principally comprised the addition of share based payments. Interest paid in the year was £39.8m; £1.9m lower than the comparative period due to lower average levels of debt. Capital expenditure was £4.5m lower at £20.9m and pension contributions (including pension administration costs) increased from £12.9m to £51.7m. An inflow of £4.8m from working capital was reported and restructuring costs increased from £7.5m to £13.7m. This was due to cash costs associated with corporate activity in April 2016 and redundancy costs relating to the cost reduction and efficiency programmes, the majority of which were incurred in the first half of the year.

On a statutory basis, cash generated from operations was £76.8m compared to £137.1m in the comparative period. This was largely due to increased pension deficit contributions, as identified in the table above, and lower Operating profit before (non-cash) impairment charges. Cash generated from operating activities was £37.0m, after deducting net interest paid of £39.8m. Repayment of borrowings was £34.6m in the year, £33.0m of which related to lower drawings against the Group's revolving credit facility.

At 1 April 2017, the Group held cash and bank deposits of £3.1m and bank overdrafts of £21.2m.

Net debt and sources of finance

	£m
Net debt at 2 April 2016	**534.2**
Free cash flow generation in period	(15.1)
Movement in debt issuance costs	4.1
Net debt at 1 April 2017	**523.2**
EBITDA	133.2
Net debt / EBITDA	**3.9x**

Net debt at 1 April 2017 was £523.2m; an £11.0m reduction in Net debt compared to the prior year. The movement in debt issuance costs was £4.1m.

The Group has extended the term of its revolving credit facility with its lending syndicate from March 2019 to December 2020. The £272m facility, which was £22m drawn at 1 April 2017, is expected to reduce by £55m to £217m, subject to the issue of new £210m Senior Secured floating rate notes outlined below. The facility will further reduce to approximately £184m in March 2019. The interest margin under the revolving credit facility is unchanged and covenants under the facility, which are tested bi-annually, have been updated to ensure appropriate headroom against future reporting periods.

The Group has also announced the proposed issue of new five year £210m Senior Secured floating rate notes due 2022, to replace its £175m Senior Secured floating rate notes, due to mature March 2020, and to make a prepayment under the revolving credit facility. Pricing of the new £210m Senior Secured floating rate notes is to be confirmed and the notes are expected to be callable at 101% after one year. The Group's £325m Senior Secured fixed notes which attract a coupon of 6.5%, mature in March 2021, and there are no immediate plans to call or refinance these notes.

Pensions

IAS 19 Accounting Valuation (£m)		**1 April 2017**			**2 April 2016**	
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,190.9	673.7	4,864.6	3,758.7	584.2	4,342.9
Liabilities	(3,597.0)	(1,162.8)	(4,759.8)	(3,207.8)	(1,004.2)	(4,212.0)
Surplus/(Deficit)	**593.9**	**(489.1)**	**104.8**	**550.9**	**(420.0)**	**130.9**
Net of deferred tax (17.0%/18.0%)	493.0	(406.0)	87.0	451.7	(344.4)	107.3

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 1 April 2017 of £104.8m, equivalent to £87.0m net of a deferred tax charge of 17.0%. This compares to a combined RHM and Premier Foods' schemes surplus at 2 April 2016 of £130.9m and £107.3m net of deferred tax. A deferred tax rate of 17.0% (18.0%) is deducted from the IAS19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax.

The valuation at 1 April 2017 comprised a £593.9m surplus in respect of the RHM schemes and a deficit of £489.1m in relation to the Premier Foods schemes. Assets in the combined schemes increased by £521.7m in the year from £4,342.9m to £4,864.6m. RHM scheme assets increased by £432.2m mainly due to an increase in interest rate swaps and equities, while the Premier Foods' schemes assets increased by £89.5m. The increase in asset movements in the year have been offset by an increase in the combined schemes liabilities of £547.8m. This is principally due to a reduction in the discount rate from 3.55% at 2 April 2016 to 2.65% at 1 April 2017.

Combined pensions schemes (£m)	**1 April 2017**	2 April 2016
Assets		
Equities	**527.0**	405.4
Government bonds	**519.1**	474.8
Corporate bonds	**23.0**	1.9
Property	**357.4**	292.3
Absolute return products	**1,284.2**	1,227.6
Cash	**69.1**	326.9
Infrastructure funds	**242.6**	228.0
Swaps	**1,116.1**	862.5
Private equity	**321.7**	259.4
Other	**404.4**	264.1
Total Assets	**4,864.6**	4,342.9
Liabilities		
Discount rate	**2.65%**	3.55%
Inflation rate (RPI/CPI)	**3.3%/2.2%**	3.0%/1.9%

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

During the year, the Group finalised the 2016 combined pension schemes' triennial actuarial valuation, displayed in the table below, which confirms a combined schemes' deficit of £421m. This is a £641m reduction compared to the previous triennial valuation in 2013.

	Actuarial valuation surplus/(deficit)		
£m	**2016**	**2013**	**Change**
RHM	135	(504)	639
Premier Foods	(551)	(538)	(13)
Irish schemes	(5)	(20)	15
Total schemes	**(421)**	**(1,062)**	**641**

On 28 March 2017, and following the finalisation of the triennial actuarial valuation, the Group announced it had agreed a revised schedule of pension payments with the Trustees of the pension schemes. Overall, the total cash payments for the three financial years from FY17/18 to FY19/20, to the RHM and Premier Foods Pension Schemes will be approximately £32m lower than outlined in our Interim Results on 15 November 2016. A full schedule of the scheduled payments for the next six financial years are set out in the table below.

As part of these overall reductions, the Group has also agreed with the Premier Foods schemes a mechanism (including limited changes to the existing dividend matching agreement) to allow the schemes limited further cash contributions in the event the Group outperforms certain agreed profit targets. These targets are materially ahead of current market expectations for the Group.

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

£m	Future pension cash payments schedule					
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
New plan						
Deficit contributions	35	35	37	38	38	38
Administration costs	4-6	4-6	4-6	6-8	6-8	6-8
Total	**39-41**	**39-41**	**41-43**	**44-46**	**44-46**	**44-46**
Previous plan (November 2016)						
Deficit contributions	49	44	40	33	33	35
Administration costs	6-8	6-8	6-8	6-8	6-8	6-8
Total	**55-57**	**50-52**	**46-48**	**39-41**	**39-41**	**41-43**
Reduction/(Increase)[1]	**16**	**11**	**5**	**(5)**	**(5)**	**(3)**

1 – Assumes mid-point of respective administration cost ranges

Outlook

The industry in which the Group operates has undergone recent and rapid change. Reflecting these changes, the Board has updated the Group's strategy to give an equal focus to revenue growth, cost efficiencies and cash generation. In the UK, growing ahead of its categories continues to be a core objective for the Group and its plans for International are for further strong double-digit growth. The global strategic relationships presented by the Cadbury and Nissin partnerships are exciting and the recently announced cost savings programme is expected to deliver £20m over the next two years. The Group is focused on reducing its leverage ratio to below 3.0x in the next 3-4 years through profit improvement and debt reduction.

The FY17/18 financial year has started on a solid footing. The Group expects the effect of changing retailer promotional strategies to reduce through the first half of the year and then stabilise thereafter. Accordingly, quarter 2 sales are expected to deliver an improved year on year sales trend relative to quarter 1. In the full year, the Group plans to deliver progress which is expected to be weighted more to the second half.

Alastair Murray
Chief Financial Officer

Appendices

The Company's results are presented for the 52 weeks ended 1 April 2017 and the comparative period, 52 weeks ended 2 April 2016. All references to the 'year', unless otherwise stated, are for the 52 weeks ended 1 April 2017 and the comparative period, 52 weeks ended 2 April 2016. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 1 April 2017 and the comparative period, 13 weeks ended 2 April 2016.

Quarter 4 Underlying sales

Q4 Underlying sales (£m)	Grocery	Sweet Treats	Group
Branded	120.1	43.8	163.9
Non-branded	20.2	6.9	27.1
Total	**140.3**	**50.7**	**191.0**
% change			
Branded	(2.9%)	(2.8%)	(2.9%)
Non-branded	11.8%	14.6%	12.3%
Total	**(1.0%)**	**(0.7%)**	**(1.0%)**

Notes and definitions of Non-GAAP measures

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

1. Underlying results are defined as continuing operations excluding the results of previously disposed businesses and includes results of acquired businesses in comparative reporting periods.
2. Trading profit is defined as profit/(loss) before tax before net finance costs, profits and losses from share of associates, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses.
3. Underlying Sales is revenue excluding the results of previously disposed businesses and includes results of acquired businesses in comparative reporting periods.
4. Underlying Trading profit is Trading profit as defined in (2) above and excludes the results of previously disposed businesses and includes results of acquired businesses in comparative reporting periods.
5. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
6. Underlying Divisional contribution is Divisional contribution as defined in (5) above and excludes the results of previously disposed businesses and includes results of acquired businesses in comparative reporting periods.
7. Adjusted EBITDA is Trading profit as defined in (2) above excluding depreciation.
8. Underlying adjusted EBITDA is adjusted EBITDA defined in (7) above and excludes the results of previously disposed businesses and includes results of acquired businesses in comparative reporting periods.
9. Adjusted profit before tax is Underlying Trading profit as defined in (4) above less net regular interest.
10. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest.
11. Adjusted earnings per share is Adjusted profit before tax as defined in (9) above less a notional tax charge of 20.0% (2015/16: 20.0%) divided by the weighted average of the number of shares of 830.1million (52 weeks ended 2 April 2016: 826.0million).
12. Constant currency sales are referred to with reference to the International business unit and remove the impact of foreign currency fluctuations when comparing sales between two reporting periods.
13. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
14. Free cash flow is defined as the change in Net debt as defined in (13) above before the movement in debt issuance costs.

Reconciliation of Continuing Operations to Underlying measures

£m	Continuing operations	Less: Disposals	Add: Knighton	'Underlying'
2016/17				
Sales	**790.4**	-	-	**790.4**
Trading profit	**117.0**	-	-	**117.0**
EBITDA	**133.2**	-	-	**133.2**
2015/16				
Sales	**771.7**	0.0	29.6	**801.3**
Trading profit	**128.8**	2.2	(1.9)	**129.1**
EBITDA	**144.9**	2.2	(0.6)	**146.5**

Continuing operations Trading profit of £128.8m in FY15/16 above includes £2.2m of non-cash costs predominantly relating to the write off of legacy fixed assets in the year and is excluded from 'Underlying' Trading profit.

- 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.
- The International business unit is currently too small for separate disclosure and in line with accounting standards is aggregated within the Grocery business unit for reporting purposes.

Consolidated statement of profit or loss

	Note	52 weeks ended 1 Apr 2017 £m	52 weeks ended 2 Apr 2016 £m
Continuing operations			
Revenue	3	**790.4**	771.7
Cost of sales		**(513.5)**	(476.2)
Gross profit		**276.9**	295.5
Selling, marketing and distribution costs		**(127.2)**	(128.4)
Administrative costs		**(88.2)**	(112.6)
Operating profit		**61.5**	54.5
Operating profit before impairment		**61.5**	68.1
Impairment of investments in associates		**-**	(13.6)
Finance cost	4	**(51.6)**	(48.1)
Finance income	4	**1.5**	2.5
Net movement on fair valuation of interest rate financial instruments	4	**0.6**	0.7
Share of loss from associates		**-**	(22.6)
Profit/(loss) before taxation from continuing operations		**12.0**	(13.0)
Taxation (charge)/credit	5	**(6.5)**	47.0
Profit after taxation from continuing operations		**5.5**	34.0
Loss from discontinued operations		**-**	(4.8)
Profit for the period attributable to owners of the parent		**5.5**	29.2
Basic and diluted earnings per share			
From continuing operations (pence)	6	**0.7**	4.1
From discontinued operations (pence)	6	**-**	(0.6)
From profit for the period		**0.7**	3.5
Adjusted earnings per share[1]			
From continuing operations (pence)	6	**7.2**	8.1

[1] Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 20.0% (2015/16: 20.0%) divided by the weighted average number of ordinary shares of the Company.

Consolidated statement of comprehensive income

	Note	52 weeks ended 1 Apr 2017 £m	52 weeks ended 2 Apr 2016 £m
Profit for the period		**5.5**	29.2
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	10	**(76.6)**	344.8
Deferred tax credit/(charge)	5	**14.9**	(65.9)
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**(1.1)**	(0.4)
Other comprehensive (loss)/income, net of tax		**(62.8)**	278.5
Total comprehensive (loss)/income attributable to owners of the parent		**(57.3)**	307.7

Consolidated balance sheet

	Note	**As at 1 Apr 2017 £m**	As at 2 Apr 2016 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		**187.5**	187.8
Goodwill		**650.3**	649.8
Other intangible assets		**464.0**	496.0
Net retirement benefit assets	10	**593.9**	550.9
Deferred tax assets	5	**32.4**	25.9
		1,928.1	1,910.4
Current assets			
Inventories		**71.3**	63.2
Trade and other receivables		**65.1**	100.5
Cash and cash equivalents	12	**3.1**	8.0
Derivative financial instruments		**0.1**	1.6
		139.6	173.3
Total assets		**2,067.7**	2,083.7
LIABILITIES:			
Current liabilities			
Trade and other payables		**(191.7)**	(204.7)
Financial liabilities			
– short term borrowings	8	**(21.3)**	(0.4)
– derivative financial instruments		**(2.9)**	(2.0)
Provisions for liabilities and charges	9	**(10.0)**	(6.3)
Current income tax liabilities		**(0.7)**	(0.7)
		(226.6)	(214.1)
Non-current liabilities			
Financial liabilities – long term borrowings	8	**(505.0)**	(541.8)
Net retirement benefit obligations	10	**(489.1)**	(420.0)
Provisions for liabilities and charges	9	**(43.1)**	(47.3)
Other liabilities	11	**(11.1)**	(12.0)
		(1,048.3)	(1,021.1)
Total liabilities		**(1,274.9)**	(1,235.2)
Net assets		**792.8**	848.5
EQUITY:			
Capital and reserves			
Share capital		**83.3**	82.7
Share premium		**1,406.7**	1,406.6
Merger reserve		**351.7**	351.7
Other reserves		**(9.3)**	(9.3)
Profit and loss reserve		**(1,039.6)**	(979.3)
Capital and reserves attributable to owners of the parent		**792.8**	852.4
Non-controlling interest	7	**-**	(3.9)
Total equity		**792.8**	848.5

Consolidated statement of cash flows

	Note	52 weeks ended 1 Apr 2017 £m	52 weeks ended 2 Apr 2016 £m
Cash generated from operations	12	**76.8**	137.1
Interest paid		**(41.3)**	(44.2)
Interest received		**1.5**	2.5
Cash generated from operating activities		**37.0**	95.4
Cash outflow on business combination		**-**	(0.2)
Purchases of property, plant and equipment		**(15.1)**	(23.0)
Purchases of intangible assets		**(5.8)**	(6.9)
Cash used in investing activities		**(20.9)**	(30.1)
Repayment of borrowings		**(34.6)**	(58.0)
Movement in securitisation funding programme		**(6.4)**	(19.7)
Proceeds from share issue		**0.1**	0.3
Purchase of shares to satisfy share awards		**(1.1)**	(1.8)
Cash used in financing activities		**(42.0)**	(79.2)
Net decrease in cash and cash equivalents		**(25.9)**	(13.9)
Cash, cash equivalents and bank overdrafts at beginning of period		**7.8**	21.7
Cash, cash equivalents and bank overdrafts at end of period	12	**(18.1)**	7.8

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total equity £m
At 5 April 2015		82.6	1,406.4	351.7	(9.3)	(1,291.2)	-	540.2
Profit for the period		-	-	-	-	29.2	-	29.2
Remeasurements of defined benefit schemes	10	-	-	-	-	344.8	-	344.8
Deferred tax charge	5	-	-	-	-	(65.9)	-	(65.9)
Exchange differences on translation		-	-	-	-	(0.4)	-	(0.4)
Other comprehensive income		-	-	-	-	278.5	-	278.5
Total comprehensive income		-	-	-	-	307.7	-	307.7
Shares issued		0.1	0.2	-	-	-	-	0.3
Share-based payments		-	-	-	-	4.1	-	4.1
Purchase of shares to satisfy share awards		-	-	-	-	(1.8)	-	(1.8)
Deferred tax movements on share-based payments		-	-	-	-	1.9	-	1.9
Non-controlling interest on change of ownership		-	-	-	-	-	(3.9)	(3.9)
At 2 April 2016		82.7	1,406.6	351.7	(9.3)	(979.3)	(3.9)	848.5
At 3 April 2016		**82.7**	**1,406.6**	**351.7**	**(9.3)**	**(979.3)**	**(3.9)**	**848.5**
Profit for the period		-	-	-	-	**5.5**	-	**5.5**
Remeasurements of defined benefit schemes	10	-	-	-	-	**(76.6)**	-	**(76.6)**
Deferred tax credit	5	-	-	-	-	**14.9**	-	**14.9**
Exchange differences on translation		-	-	-	-	**(1.1)**	-	**(1.1)**
Other comprehensive income		-	-	-	-	**(62.8)**	-	**(62.8)**
Total comprehensive income		-	-	-	-	**(57.3)**	-	**(57.3)**
Shares issued		**0.6**	**0.1**	-	-	-	-	**0.7**
Share-based payments		-	-	-	-	**4.5**	-	**4.5**
Purchase of shares to satisfy share awards		-	-	-	-	**(1.1)**	-	**(1.1)**
Adjustment for issue of share options		-	-	-	-	**(0.6)**	-	**(0.6)**
Deferred tax movements on share-based payments		-	-	-	-	**(1.9)**	-	**(1.9)**
Movement in non-controlling interest		-		-	-	**(3.9)**	**3.9**	-
At 1 April 2017		**83.3**	**1,406.7**	**351.7**	**(9.3)**	**(1,039.6)**	-	**792.8**

1. General information

The financial information included in this preliminary announcement does not constitute the Company's statutory accounts for the periods ended 1 April 2017 and 2 April 2016 but is derived from those accounts. Statutory accounts for the period ended 2 April 2016 have been delivered to the registrar of companies, and those for the period ended 1 April 2017 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 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 1 October 2016 and 1 April 2017. The Group's forecasts, taking into account reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current facilities including covenant tests. Notwithstanding the net current liabilities position of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2. Critical accounting policies, estimates and judgements

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

2.1 Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members.

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). Key assumptions used are mortality rates, discount rates and inflation set with reference to bond yields. Each of the underlying assumptions is set out in more detail 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.

To the extent a surplus arises under IAS 19, the Group ensures that it can recognise the associated asset in line with IFRIC 14.

2.2 Goodwill and other intangible assets

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

The Group reviews its identified Cash Generating Units ("CGUs") for the purposes of testing goodwill on an annual basis, taking into consideration whether assets generate independent cash inflows. The recoverable amounts of CGUs are determined based on the higher of net realisable value and value in use calculations. These calculations require the use of estimates.

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

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

2.3 Advertising and promotion costs

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

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

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

2.4 Deferred tax assets

When assessing whether the recognition of a deferred tax asset can be justified, and if so at what level, the directors take into account the following:

- Historic business performance
- Projected profits or losses included in the latest board approved forecast 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 of the amounts recognised (and unrecognised) are contained within note 5.

3. Segmental analysis

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

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

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

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

The segment results for the period ended 1 April 2017 and for the period ended 2 April 2016 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	Period ended 1 Apr 2017			Period ended 2 Apr 2016		
	Grocery	**Sweet Treats**	**Total**	Grocery	Sweet Treats	Continuing operations
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**563.1**	**227.3**	**790.4**	548.6	223.1	771.7
Divisional contribution	**129.9**	**19.8**	**149.7**	142.1	25.0	167.1
Group and corporate costs			**(32.7)**			(38.3)
Trading profit			**117.0**			128.8
Amortisation of intangible assets			**(37.9)**			(37.6)
Fair value movements on foreign exchange and other derivative contracts			**(1.0)**			2.6
Restructuring costs			**(15.8)**			(11.2)
Net interest on pensions and administrative expenses			**(0.8)**			(14.5)
Operating profit before impairment			**61.5**			68.1
Impairment of investments in associates			**-**			(13.6)
Operating profit			**61.5**			54.5
Finance cost			**(51.6)**			(48.1)
Finance income			**1.5**			2.5
Net movement on fair valuation of interest rate financial instruments			**0.6**			0.7
Share of loss from associates			**-**			(22.6)
Profit/(loss) before taxation			**12.0**			(13.0)
Depreciation	**(7.7)**	**(8.5)**	**(16.2)**	(8.2)	(7.9)	(16.1)

Revenues in the period ended 1 April 2017, on a continuing basis, from the Group's four principal customers, which individually represent over 10% of total revenue, are £172.7m, £115.4m, £95.2m and £84.6m (Period ended 2 April 2016: £164.7m, £124.1m, £92.8m and £92.4m).

Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties.

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

	Period ended 1 Apr 2017	Period ended 2 Apr 2016
	£m	£m
United Kingdom	**745.7**	735.5
Other Europe	**21.9**	18.8
Rest of world	**22.8**	17.4
Total	**790.4**	771.7

Non-current assets

	As at 1 Apr 2017	As at 2 Apr 2016
	£m	£m
United Kingdom	**1,928.1**	1,910.4

4. Finance income and costs

	Period ended 1 Apr 2017	Period ended 2 Apr 2016
	£m	£m
Interest payable on bank loans and overdrafts	**(5.3)**	(5.1)
Interest payable on senior secured notes	**(30.6)**	(30.8)
Interest payable on revolving facility	**(3.4)**	(5.9)
Interest payable on interest rate derivatives	**(0.9)**	(1.2)
Other interest payable[1]	**(7.2)**	(0.3)
Amortisation of debt issuance costs	**(4.1)**	(4.4)
	(51.5)	(47.7)
Write off of financing costs[2]	**(0.1)**	(0.4)
Total finance cost	**(51.6)**	(48.1)
Interest receivable on bank deposits	**1.5**	2.5
Total finance income	**1.5**	2.5
Movement on fair valuation of interest rate derivative financial instruments	**0.6**	0.7
Net finance cost	**(49.5)**	(44.9)

[1]Included in other interest payable is £5.6m (2015/16: £0.1m) relating to the unwind of the discount on certain of the Group's long term provisions.

[2] Relates to the securitisation facility in the period ended 2 April 2016, which terminated in January 2016.

The net movement on fair valuation of interest rate financial instruments relates to a £0.6m favourable movement on interest rate swaps held (2015/16: £0.7m favourable).

5. Taxation

Current tax

	2016/17	**2015/16**		
	Total	**Continuing operations**	**Discontinued operations**	**Total**
	£m	**£m**	**£m**	**£m**
Deferred tax				
- Current period	**(6.4)**	51.9	1.0	52.9
- Prior periods	**1.1**	(4.5)	-	(4.5)
- Adjustment to restate opening deferred tax at 17.0%	**(1.2)**	(0.4)	-	(0.4)
Income tax (charge)/credit	**(6.5)**	47.0	1.0	48.0

Reductions in the UK corporation tax rate from 20.0% to 19.0% (effective from 1 April 2017) and to 18.0% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17.0% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

Tax relating to items recorded in other comprehensive income included:

	Period ended 1 Apr 2017	Period ended 2 Apr 2016
	£m	£m
Deferred tax credit/(charge) on reduction of corporate tax rate	**1.6**	(3.7)
Deferred tax credit on losses	**8.4**	-
Deferred tax credit/(charge) on pension movements	**4.9**	(62.2)
	14.9	(65.9)

The tax (charge)/credit for the period differs from the standard rate of corporation tax in the United Kingdom of 20.0% (2015/16: 20.0%). The reasons for this are explained below:

	Period ended 1 Apr 2017	Period ended 2 Apr 2016
	£m	£m
Profit/(loss) before taxation	**12.0**	(13.0)
Tax credit at the domestic income tax rate of 20.0% (2015/16: 20.0%)	**(2.4)**	2.6
Tax effect of:		
Non-deductible items	**(1.0)**	(1.0)
Share of loss from associates	**-**	(4.6)
Adjustment for share-based payments	**(0.9)**	(0.9)
Previously unrecognised losses utilised	**-**	0.1
Adjustment due to current period deferred tax being provided at 17.0% (2015/16: 18.0%)	**0.3**	0.4
Movements in losses recognised	**(2.5)**	55.3
Adjustment to restate opening deferred tax at 17.0% (2015/16: 18.0%)	**(1.1)**	(0.4)
Adjustments to prior periods	**1.1**	(4.5)
Income tax (charge)/credit	**(6.5)**	47.0

The movements in losses recognised for the period ended 1 April 2017 of £(2.5m) relates to the derecognition of corporation tax losses, the future recoverability of which is not certain. In the prior period, the £55.3m movement relates to the recognition of deferred tax assets to offset an increase in deferred tax liabilities.

The adjustments to prior periods of £1.1m relates to correction of prior period accelerated capital allowances following a change to the capital allowances claimed in submitted returns. In the prior period, the £(4.5m) adjustment to prior periods related to the utilisation of losses in prior periods which arose following verification of losses noted in submitted 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% (2015/16: 18.0%) except for an asset of £48.4m (2015/16: £70.5m) relating to corporation tax losses where a rate of 17.7% has been used.

	2016/17	2015/16
	£m	£m
At 3 April 2016 / 5 April 2015	**25.9**	41.9
(Charged)/credited to the statement of profit or loss	**(6.5)**	48.0
Credited/(charged) to other comprehensive income	**14.9**	(65.9)
(Charged)/credited to equity	**(1.9)**	1.9
At 1 April 2017 / 2 April 2016	**32.4**	25.9

The Group has recognised a deferred tax asset based on future taxable profits, derived from the latest Board approved forecasts.

The Group has not recognised deferred tax assets of £2.6m (2015/16: £nil) relating to UK corporation tax losses as the future recoverability of these losses is not certain. In addition the Group has not recognised a tax asset of £34.8m (2015/16: £34.8m) relating to ACT and £46.2m (2015/16: £48.9m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

Deferred tax liabilities	**Intangibles**	**Retirement benefit obligation**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
At 5 April 2015	(69.8)	-	(4.0)	(73.8)
Prior year restatement of opening balances				
- To statement of profit or loss	7.0	-	0.4	7.4
Current period credit	2.1	-	-	2.1
Prior period (charge)/credit	(0.7)	-	3.4	2.7
Charged to other comprehensive income	-	(23.8)	-	(23.8)
At 2 April 2016	**(61.4)**	**(23.8)**	**(0.2)**	**(85.4)**
At 3 April 2016	**(61.4)**	**(23.8)**	**(0.2)**	**(85.4)**
Prior period restatement of opening balances				
- To statement of profit or loss	**3.4**	**(0.3)**	-	**3.1**
- To other comprehensive income	-	**1.6**	-	**1.6**
Current period credit/(charge)	**1.8**	**(0.3)**	-	**1.5**
Credited to other comprehensive income	-	**4.9**	-	**4.9**
At 1 April 2017	**(56.2)**	**(17.9)**	**(0.2)**	**(74.3)**

Deferred tax assets	Accelerated tax depreciation	Retirement benefit obligation	Share based payments	Financial instruments	Losses	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 5 April 2015	22.8	43.0	0.8	2.9	41.9	4.3	115.7
Prior period restatement of opening balances							
- To statement of profit or loss	(2.2)	(0.5)	(0.1)	(0.3)	(4.2)	(0.4)	(7.7)
- To equity	-	(3.7)	-	-	-	-	(3.7)
Current period credit/(charge)	14.2	0.8	0.3	(0.6)	36.3	(0.2)	50.8
Prior year charge							
- To statement of profit or loss	(1.2)	(1.2)	(0.1)	-	(4.5)	(1.3)	(8.3)
Charged to other comprehensive income	-	(38.4)	-	-	-	-	(38.4)
Credited to equity	-	-	1.9	-	-	-	1.9
Deferred tax credit on discontinued activities	-	-	-	-	1.0	-	1.0
At 2 April 2016	**33.6**	**-**	**2.8**	**2.0**	**70.5**	**2.4**	**111.3**
At 3 April 2016	**33.6**	-	**2.8**	**2.0**	**70.5**	**2.4**	**111.3**
Prior period restatement of opening balances							
- To statement of profit or loss	**(1.8)**	-	**(0.1)**	**(0.2)**	**(2.1)**	**(0.1)**	**(4.3)**
- To equity	-	-	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Current period credit/(charge)	**4.7**	-	**0.6**	**(1.8)**	**(10.2)**	**(1.2)**	**(7.9)**
Credited to other comprehensive income	**-**	-	**-**	**-**	**8.4**	**-**	**8.4**
Prior period credit/(charge)							
- To statement of profit or loss	**10.9**	-	-	**-**	**(9.8)**	-	**1.1**
Charged to equity	**-**	-	**(1.8)**	**-**	**-**	**-**	**(1.8)**
At 1 April 2017	**47.4**	**-**	**1.4**	**-**	**56.8**	**1.1**	**106.7**

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

6. Earnings/(loss) per share

Basic earnings/(loss) per share has been calculated by dividing the profits attributable to owners of the parent of £5.5m (2015/16: £29.2m profit) by the weighted average number of ordinary shares of the Company.

Weighted average shares

	2016/17 Number (000s)	2015/16 Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**830,059**	826,017
Effect of dilutive potential ordinary shares:		
- Share options	**9,875**	1,005
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**839,934**	827,022

Earnings per share calculation

	Period ended 1 Apr 2017			Period ended 2 Apr 2016		
	Basic	**Dilutive effect of share options**	**Diluted**	Basic	Dilutive effect of share options	Diluted
Continuing operations						
Earnings after tax (£m)	**5.5**		**5.5**	34.0		34.0
Earnings per share (pence)	**0.7**	**0.0**	**0.7**	4.1	0.0	4.1
Discontinued operations						
Loss after tax (£m)	**-**		**-**	(4.8)		(4.8)
Loss per share (pence)	**-**	**-**	**-**	(0.6)	0.0	(0.6)
Total						
Earnings after tax (£m)	**5.5**		**5.5**	29.2		29.2
Earnings per share (pence)	**0.7**	**0.0**	**0.7**	3.5	0.0	3.5

Dilutive effect of share options

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

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

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 20.0% (2015/16: 20.0%) divided by the weighted average number of ordinary shares of the Company.

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

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

	Period ended 1 Apr 2017 £m	Period ended 2 Apr 2016 £m
Trading profit	**117.0**	128.8
Less net regular interest	**(42.8)**	(44.9)
Adjusted profit before tax	**74.2**	83.9
Notional tax at 20.0%	**(14.8)**	(16.8)
Adjusted profit after tax	**59.4**	67.1
Average shares in issue (m)	**830.1**	826.0
Adjusted EPS (pence)	**7.2**	8.1
Net regular interest		
Net finance cost	**(49.5)**	(44.9)
Exclude fair value movements on interest rate financial instruments	**(0.6)**	(0.7)
Exclude write-off of financing costs	**0.1**	0.4
Exclude other interest	**7.2**	0.3
Net regular interest	**(42.8)**	(44.9)

7. Ownership of subsidiaries/businesses

On 1 April 2016, the Group gained control (as defined under IFRS 10) of Knighton in which the Group already held 49% of the ordinary share capital and associated voting rights.

On 24 May 2016, the Group acquired the remaining 51% of the ordinary share capital of Knighton.

Goodwill of £4.3m is attributable to the intellectual property of Knighton and synergies which arose on acquisition.

Given the proximity of the transfer of control to 2 April 2016, the values of identifiable assets and liabilities acquired were provisional. During the period, a fair value adjustment has been made in respect of provisions for liabilities that existed at the acquisition date but for which information was not available.

The following table summarises the consideration for Knighton, and the amounts of the assets acquired and liabilities assumed.

	As at 2 April 2016			**As at 1 Apr 2017**
Recognised amounts of identifiable assets acquired and liabilities assumed	**Provisional values on acquisition**	**Purchase of NCI**	**Fair value adjustments**	**Fair values**
	£m	**£m**	**£m**	**£m**
Property, plant & equipment	2.4	-	-	2.4
Inventories	7.0	-	-	7.0
Trade and other receivables	9.2	-	-	9.2
Trade and other payables	(16.2)	-	(0.5)	(16.7)
Cash and cash equivalents	(0.2)	-	-	(0.2)
Financial liabilities – borrowings and other loans	(9.9)	-	-	(9.9)
Total identifiable net liabilities	(7.7)	-	(0.5)	(8.2)
Non-controlling interest	3.9	(3.9)	-	-
Goodwill	3.8	-	0.5	4.3
Equity	-	3.9	-	3.9
Total consideration	-	-	-	-

8. Bank and other borrowings

	As at 1 Apr 2017 £m	As at 2 Apr 2016 £m
Current:		
Bank overdrafts	**(21.2)**	(0.2)
Finance lease obligations	**(0.1)**	(0.2)
Total borrowings due within one year	**(21.3)**	(0.4)
Non-current:		
Secured senior credit facility – revolving	**(22.0)**	(55.0)
Transaction costs	**5.6**	6.9
	(16.4)	(48.1)
Bank term loan	**-**	(1.5)
	-	(1.5)
Senior secured notes	**(500.0)**	(500.0)
Transaction costs	**11.4**	14.2
	(488.6)	(485.8)
Securitisation facility	**-**	(6.4)
	-	(6.4)
Total borrowings due after more than one year	**(505.0)**	(541.8)
Total bank and other borrowings	**(526.3)**	(542.2)

Revolving credit facility
The revolving credit facility of £272m is due to mature in March 2019 and attracts a leverage based margin of between 2.5% and 4.0% above LIBOR. Banking covenants of net debt / EBITDA and EBITDA / interest are in place and are tested biannually.

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

Term loan
The term loan at the prior period end related to that of Knighton and would have matured in October 2018, priced at 2.75% above LIBOR. This was repaid during the period.

Securitisation facility
The securitisation facility drawn at the prior period end related to that of Knighton and would have matured in October 2018, priced at 2.25% above LIBOR. This was repaid during the period.

Senior secured notes
The senior secured notes are listed on the Irish GEM Stock Exchange. The notes totalling £500m are split between fixed and floating tranches. The fixed note of £325m matures in March 2021 and attracts an interest rate of 6.50%. The floating note of £175m matures in March 2020 and attracts an interest rate of 5.00% above LIBOR.

9. Provisions for liabilities and charges

	As at 1 Apr 2017 £m	As at 2 Apr 2016 £m
Non-current	**(43.1)**	(47.3)
Current	**(10.0)**	(6.3)
Total	**(53.1)**	(53.6)

Total provisions for liabilities and charges of £53.1m at 1 April 2017 (2 April 2016: £53.6m) comprise property provisions of £34.0m (2 April 2016: £32.8m) which primarily relate to provisions for non-operational leasehold properties, dilapidations against leasehold properties and environmental liabilities, and other provisions of £19.1m (2 April 2016: £20.8m) which primarily relate to insurance claims and provisions for restructuring costs.

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 RHM pension schemes were carried out on 31 March 2016 / 5 April 2016 to establish ongoing funding arrangements. Deficit recovery plans have been agreed with the Trustees of each of the PFPS and PGPPS. The RHM Pension Scheme was in surplus and no deficit contributions are payable. On 28 March 2017, and following the finalisation of the triennial actuarial valuation, the Group announced it had agreed a revised schedule of pension payments with the Trustees of the pension schemes.

Actuarial valuations for the schemes based in Ireland took place during the course of 2013 and 2014. They are all due further valuations in 2016 and 2017, the results of which will not be known until later in 2017.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1903 for the average rate during the period, and £1.00 = €1.1695 for the closing position at 1 April 2017.

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

	At 1 April 2017		At 2 April 2016	
	Premier schemes	**RHM schemes**	**Premier schemes**	**RHM schemes**
Discount rate	**2.65%**	**2.65%**	3.55%	3.55%
Inflation – RPI	**3.30%**	**3.30%**	3.00%	3.00%
Inflation – CPI	**2.20%**	**2.20%**	1.90%	1.90%
Expected salary increases	**n/a**	**n/a**	n/a	n/a
Future pension increases	**2.15%**	**2.15%**	2.00%	2.00%

For the smaller overseas schemes the discount rate used was 1.80% (2015/16: 1.85%) and future pension increases were 1.45% (2015/16: 1.50%).

At 2 April 2016 the discount rate was derived from a bond curve where all bonds had been rated AA by at least two credit agencies. At 1 April 2017 the discount rate was derived based on a bond curve expanded to also include bonds rated AA by one credit agency (and which might for example be rated A or AAA by other agencies). The impact of this change in methodology increased the discount rate by 0.05%.

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

	At 1 April 2017		At 2 April 2016	
	Premier schemes	**RHM schemes**	**Premier schemes**	**RHM schemes**
Male pensioner, currently aged 65	**87.7**	**85.9**	87.8	86.2
Female pensioner, currently aged 65	**89.5**	**88.3**	90.0	88.4
Male non-pensioner, currently aged 45	**88.8**	**86.8**	89.1	87.5
Female non-pensioner, currently aged 45	**90.8**	**89.5**	91.5	89.9

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 £84.0m/£86.4m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £38.6m/£43.7m
Assumed life expectancy at age 60 (rate of mortality)	Increase by 1 year	Increase by £204.8m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 1 April 2017. 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:

	remier schemes	% of total	RHM schemes	% of total	Total	% of total
	£m	%	£m	%	£m	
Assets with a quoted price in an active market at 1 April 2017:						
UK equities	**0.3**	**0.0**	**0.6**	**0.0**	**0.9**	**0.0**
Global equities	**7.1**	**1.1**	**519.0**	**12.4**	**526.1**	**10.8**
Government bonds	**22.4**	**3.3**	**496.7**	**11.9**	**519.1**	**10.7**
Corporate bonds	**23.0**	**3.4**	**-**	**-**	**23.0**	**0.5**
Property	**8.1**	**1.2**	**349.3**	**8.3**	**357.4**	**7.3**
Absolute return products	**399.7**	**59.3**	**884.5**	**21.1**	**1,284.2**	**26.4**
Cash	**13.4**	**2.0**	**55.7**	**1.3**	**69.1**	**1.4**
Other	**199.7**	**29.7**	**2.8**	**0.1**	**202.5**	**4.2**
Assets without a quoted price in an active market at 1 April 2017:						
Infrastructure funds	**-**	**-**	**242.6**	**5.8**	**242.6**	**5.0**
Swaps	**-**	**-**	**1,116.1**	**26.6**	**1,116.1**	**22.9**
Private equity	**-**	**-**	**321.7**	**7.7**	**321.7**	**6.6**
Other	**-**	**-**	**201.9**	**4.8**	**201.9**	**4.2**
Fair value of scheme assets as at 1 April 2017	**673.7**	**100**	**4,190.9**	**100**	**4,864.6**	**100**
Assets with a quoted price in an active market at 2 April 2016:						
UK equities	1.4	0.2	0.5	0.0	1.9	0.1
Global equities	18.5	3.1	385.0	10.2	403.5	9.3
Government bonds	22.7	3.9	452.1	12.0	474.8	10.9
Corporate bonds	-	-	1.9	0.1	1.9	0.0
Property	8.2	1.4	284.1	7.6	292.3	6.7
Absolute return products	368.3	63.1	859.3	22.9	1,227.6	28.2
Cash	8.7	1.5	318.2	8.5	326.9	7.5
Other	156.1	26.7	2.5	0.1	158.6	3.7
Assets without a quoted price in an active market at 2 April 2016:						
Infrastructure funds	-	-	228.0	6.1	228.0	5.2
Swaps	-	-	862.5	22.8	862.5	20.0
Private equity	-	-	259.4	6.9	259.4	6.0
Other	0.3	0.1	105.2	2.8	105.5	2.4
Fair value of scheme assets as at 2 April 2016	584.2	100	3,758.7	100	4,342.9	100

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

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

			At 1 April 2017			At 2 April 2016
	Premier schemes	RHM schemes	Total	Premier schemes	RHM schemes	Total
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	**(1,162.8)**	**(3,597.0)**	**(4,759.8)**	(1,004.2)	(3,207.8)	(4,212.0)
Fair value of plan assets	**673.7**	**4,190.9**	**4,864.6**	584.2	3,758.7	4,342.9
(Deficit)/surplus in schemes	**(489.1)**	**593.9**	**104.8**	(420.0)	550.9	130.9

The aggregate surplus of £130.9m has reduced to a surplus of £104.8m in the current period. This movement of £26.1m (2015/16: £342.7m increase) is primarily due to asset performance in the RHM schemes offset in part by the impact of a reduction in the discount rate on the defined benefit obligations.

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

	Premier schemes £m	**RHM schemes £m**	**Total £m**
Defined benefit obligation at 5 April 2015	(1,065.9)	(3,394.4)	(4,460.3)
Interest cost	(33.7)	(109.3)	(143.0)
Remeasurement gains	63.0	162.2	225.2
Exchange differences	(4.6)	(2.5)	(7.1)
Benefits paid	37.0	136.2	173.2
Defined benefit obligation at 2 April 2016	**(1,004.2)**	**(3,207.8)**	**(4,212.0)**
Interest cost	**(34.2)**	**(110.6)**	**(144.8)**
Current service cost	**-**	**(0.1)**	**(0.1)**
Remeasurement losses	**(155.1)**	**(437.8)**	**(592.9)**
Exchange differences	**(3.8)**	**(2.0)**	**(5.8)**
Benefits paid	**34.5**	**161.3**	**195.8**
Defined benefit obligation at 1 April 2017	**(1,162.8)**	**(3,597.0)**	**(4,759.8)**

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

	Premier schemes £m	**RHM schemes £m**	**Total £m**
Fair value of plan assets at 5 April 2015	612.5	3,636.0	4,248.5
Interest income on plan assets	18.7	117.4	136.1
Remeasurement (losses)/gains	(19.4)	139.0	119.6
Administrative costs	(2.6)	(5.0)	(7.6)
Contributions by employer	7.6	5.3	12.9
Exchange differences	4.4	2.2	6.6
Benefits paid	(37.0)	(136.2)	(173.2)
Fair value of plan assets at 2 April 2016	**584.2**	**3,758.7**	**4,342.9**
Interest income on plan assets	**20.2**	**130.2**	**150.4**
Remeasurement gains	**54.0**	**462.3**	**516.3**
Administrative costs	**(3.0)**	**(3.3)**	**(6.3)**
Contributions by employer	**49.2**	**2.5**	**51.7**
Exchange differences	**3.6**	**1.8**	**5.4**
Benefits paid	**(34.5)**	**(161.3)**	**(195.8)**
Fair value of plan assets at 1 April 2017	**673.7**	**4,190.9**	**4,864.6**

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 5 April 2015	(453.4)	241.6	(211.8)
Amount recognised in profit or loss	(17.6)	3.1	(14.5)
Remeasurements recognised in other comprehensive income	43.6	301.2	344.8
Contributions by employer	7.6	5.3	12.9
Exchange rate losses	(0.2)	(0.3)	(0.5)
(Deficit)/surplus in schemes at 2 April 2016	**(420.0)**	**550.9**	**130.9**
Amount recognised in profit or loss	**(17.0)**	**16.2**	**(0.8)**
Remeasurements recognised in other comprehensive income	**(101.1)**	**24.5**	**(76.6)**
Contributions by employer	**49.2**	**2.5**	**51.7**
Exchange rate losses	**(0.2)**	**(0.2)**	**(0.4)**
(Deficit)/surplus in schemes at 1 April 2017	**(489.1)**	**593.9**	**104.8**

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

			2016/17			**2015/16**
	Premier schemes £m	**RHM schemes £m**	**Total £m**	**Premier schemes £m**	**RHM schemes £m**	**Total £m**
Remeasurement (loss)/gain on plan liabilities	**(155.1)**	**(437.8)**	**(592.9)**	63.0	162.2	225.2
Remeasurement (loss)/gain on plan assets	**54.0**	**462.3**	**516.3**	(19.4)	139.0	119.6
Net remeasurement (loss)/gain for the period	**(101.1)**	**24.5**	**(76.6)**	43.6	301.2	344.8

The actual return on plan assets was a £666.7m gain (2015/16: £255.7m gain), which is £516.3m more (2015/16: £119.6m more) than the interest income on plan assets of £150.4m (2015/16: £136.1m) at the start of the relevant periods.

The remeasurement loss on liabilities of £592.9m (2015/16: £225.2m gain) comprises a gain due to member experience of £112.6m (2015/16: £15.5m gain), a gain due to demographic assumptions of £41.8m (2015/16: £49.8m gain) and a loss due to changes in financial assumptions of £747.3m (2015/16: £159.9m gain).

The net remeasurement loss taken to the consolidated statement of comprehensive income was £76.6m (2015/16: £344.8 gain). This loss was £61.7m (2015/16: £278.9m gain) net of taxation (with tax at 17% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute between £4m and £8m annually to its defined benefit plans in relation to expenses and government levies and £35-38m of additional annual contributions to fund the scheme deficits up to 2022/23.

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

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

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

	Premier schemes	RHM schemes	2016/17 Total	Premier schemes	RHM schemes	2015/16 Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Operating profit						
Current service costs	**-**	**(0.1)**	**(0.1)**	-	-	-
Administrative costs	**(3.0)**	**(3.3)**	**(6.3)**	(2.6)	(5.0)	(7.6)
Net interest (cost)/credit	**(14.0)**	**19.6**	**5.6**	(15.0)	8.1	(6.9)
Total	**(17.0)**	**16.2**	**(0.8)**	(17.6)	3.1	(14.5)

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 £6.1m (2015/16: £5.4m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

11. Other liabilities

	As at 1 Apr 2017 £m	As at 2 Apr 2016 £m
Deferred income	**(10.9)**	(11.7)
Other accruals	**(0.2)**	(0.3)
Other liabilities	**(11.1)**	(12.0)

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

12. Notes to the cash flow statement

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

	Period ended 1 Apr 2017 £m	Period ended 2 Apr 2016 £m
Continuing operations		
Profit/(loss) before taxation	**12.0**	(13.0)
Net finance cost	**49.5**	44.9
Share of loss from associates	**-**	22.6
Operating profit	**61.5**	54.5
Depreciation of property, plant and equipment	**16.2**	16.1
Amortisation of intangible assets	**37.9**	37.6
Loss on disposal of non-current assets	**0.8**	1.8
Impairment of investments in associates	**-**	13.6
Fair value movements on foreign exchange and other derivative contracts	**1.0**	(2.6)
Equity settled employee incentive schemes	**4.5**	4.1
(Increase)/decrease in inventories	**(8.1)**	12.7
Decrease in trade and other receivables	**35.4**	26.2
Decrease in trade and other payables and provisions	**(22.0)**	(24.8)
Movement in retirement benefit obligations	**(50.4)**	1.6
Cash generated from continuing operations	**76.8**	140.8
Discontinued operations	**-**	(3.7)
Cash generated from operating activities	**76.8**	137.1

Reconciliation of cash and cash equivalents to net borrowings

	Period ended 1 Apr 2017 £m	Period ended 2 Apr 2016 £m
Net outflow of cash and cash equivalents	**(25.9)**	(13.9)
Decrease/(increase) in finance leases	**0.1**	(0.2)
Decrease in borrowings	**40.9**	69.8
Other non-cash movements	**(4.1)**	(5.0)
Decrease in borrowings net of cash	**11.0**	50.7
Total net borrowings at beginning of period	**(534.2)**	(584.9)
Total net borrowings at end of period	**(523.2)**	(534.2)

Analysis of movement in borrowings

	As at 2 Apr 2016 £m	**Cash flows £m**	**Other non-cash movements £m**	**As at 1 Apr 2017 £m**
Bank overdrafts	(0.2)	(21.0)	-	**(21.2)**
Cash and bank deposits	8.0	(4.9)	-	**3.1**
Net cash and cash equivalents	7.8	(25.9)	-	**(18.1)**
Borrowings - term facilities	(1.5)	1.5	-	**-**
Borrowings - revolving credit facilities	(55.0)	33.0	-	**(22.0)**
Borrowings - senior secured notes	(500.0)	-	-	**(500.0)**
Finance lease obligations	(0.2)	0.1	-	**(0.1)**
Securitisation facility	(6.4)	6.4	-	**-**
Gross borrowings net of cash[1]	(555.3)	15.1	-	**(540.2)**
Debt issuance costs	21.1	-	(4.1)	**17.0**
Total net borrowings[1]	(534.2)	15.1	(4.1)	**(523.2)**

[1] Borrowings exclude derivative financial instruments.

13. Contingencies

There were no material contingent liabilities at 1 April 2017 (2015/16: none).

14. Subsequent events

The following subsequent events occurred after the balance sheet date:

Mondelez Partnership

On 8 May 2017 the Group announced that it had signed non-binding 'Heads of Terms' to be a Strategic Global Partnership with Mondelēz International for Cadbury cake. Once finalised, this agreement will extend the Group's long standing partnership for another five years with the option to the Group of extending this for an additional three years.

Capital Refinancing

On 16 May 2017 the Group announced that it had amended and extended the term of its revolving credit facility with its lending syndicate from March 2019 to December 2020. The £272m facility, which was £22m drawn at 1 April 2017, is expected to reduce by £55m to £217m, subject to the issue of new £210m Senior Secured floating rate notes outlined below. The interest margin under the revolving credit facility is unchanged. The covenant package attached to the revolving credit facility is:

	Net debt / EBITDA[1]	EBITDA / Interest[1]
2017/18 H1	**5.35x**	**2.65x**
2017/18 FY	**5.10x**	**2.70x**
2018/19 H1	**5.35x**	**2.70x**
2018/19 FY	**4.80x**	**2.70x**
2019/20 H1	**5.15x**	**2.70x**
2019/20 FY	**4.50x**	**2.75x**
2020/21 H1	**4.75x**	**2.85x**

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

The Group also announced the proposed issue of a new five year £210m Senior Secured floating rate note due 2022, to replace its £175m Senior Secured floating rate, due to mature March 2020, and to make a prepayment under the revolving credit facility. Pricing of the new £210m Senior Secured floating rate notes is to be confirmed following completion of the transaction and the notes are expected to be callable at 101% after one year.