PREMIER FOODS

ANNUAL REPORT

FOR THE 52 WEEKS ENDED 31 MARCH 2018

INTRODUCTION

Overview and headlines

A RETURN TO GROWTH

Our growth this year has been led through leveraging our strategic partnerships, driving further progress in our international markets and supported by our innovation – and this has helped us to deliver our best revenue growth in over five years.

This demonstrates that our strategy is working and is an important step towards our target of reducing our Net debt to EBITDA[1] ratio to below 3x by March 2020.

HIGHLIGHTS

FINANCIAL HEADLINES

Group revenue

Trading profit[2]

Profit before tax

Net debt[2]

OPERATIONAL HEADLINES

- Full year revenue up +3.6%; H2 revenue up +5.3%.
- Statutory profit before tax up +74.2% to £20.9m; basic earnings per share 0.9 pence.
- Ahead of revenue, Trading profit and Net debt market expectations for the full year.
- Extended revolving credit facility and launched offering of new £300m 5 year Senior Secured fixed rate notes.
- International sales[2] increased +25% in the full year.
- Strategic partnerships with Nissin and Mondelēz International delivered 55% of revenue growth.

EXPLORE OUR REPORT

The directors' report is comprised of pages 02 to 56

1. Net debt/EBITDA is EBITDA on an adjusted basis as defined on page 16

2. A definition and reconciliation of non-GAAP measures to reported measure is set out on page 16

About Premier Foods

We LOVE food at Premier Foods. We love how it brings people together and provides moments of pleasure in a busy world. And so do our consumers. Many of our brands have been part of UK life for more than a century, but we don't let them stand still – we're constantly innovating in line with our purpose to create the food our nation loves most for modern life. And today you'll find our brands in 95% of British households[1].

A great British food company

As one of Britain's biggest listed food companies we're committed to the UK, employing over 4,000 dedicated colleagues at 15 manufacturing sites and offices up and down the country. Around 96% of what we sell is made in the UK from quality ingredients, wherever we can sourced sustainably from British suppliers and farmers.

We operate primarily in the ambient food sector which continues to be the largest sector within the total £184.5 bn[2] UK grocery market. Our Grocery business is responsible for developing our portfolio of brands in four key categories: Flavourings & Seasonings; Cooking Sauces & Accompaniments; Quick Meals, Snacks & Soups and Ambient Desserts. Our Sweet Treats business is responsible for growing our brands in the Ambient Cakes category.

Category	Our brands	Our market position	Total[3] market size
Flavourings & Seasonings	*Bisto*, *OXO*, *Paxo*	**No. 1**	**£503m**
Cooking Sauces & Accompaniments	*Sharwood's*, *Loyd Grossman*, *Homepride*	**No. 1**	**£959m**
Quick Meals, Snacks & Soups	*Batchelors*, *Smash*	**No. 1**	**£447m**
Ambient Desserts	*Ambrosia*, *Bird's*, *Angel Delight*, *Mr Kipling*, *Cadbury*	**No. 1**	**£392m**
Ambient Cakes	*Mr Kipling*, *Cadbury*, *Lyons*	**No. 1**	**£1,053m**

We also have a growing presence in the home-baking category with brands including our new *Paul Hollywood* range of mixes.

Expanding internationally

We're also working hard to expand internationally by finding new markets for our brands around the world – our International business grew 25% in the financial period. We're continuing to build momentum in Ireland and also responding to increasing consumer interest in a range of our brands such as *Mr Kipling and Cadbury* cake, *Sharwood's* cooking sauces and *Batchelors* packet soups in a number of markets including Australia and the USA.

Strategic partnerships

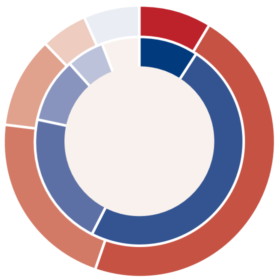
In August 2017, we signed a new strategic global partnership with Mondelēz International to renew the Company's long-standing licence to produce and market *Cadbury* branded cake and ambient dessert products. The new partnership will run until at least 2022, is expanded to cover 46 countries including South Africa, Canada, Japan, China and India and has the potential to use the full range of *Cadbury* brands in ambient cake in addition to the Oreo brand.

Since we entered into a co-operation agreement with Nissin in 2016 we've launched *Batchelors* Super Noodles in a new pot format using Nissin's noodle technology and manufacturing expertise, taken on distribution of Nissin's Soba noodles and Cup Noodle brands in the UK and we're now working with Nissin to further expand international opportunities for our brands using Nissin's global network.

Customers

Our key customers are the major UK supermarkets but we also serve a wide range of other channels including: discounters; convenience stores; online; wholesale; and food service.

UK Grocery channel value[2]



	2016/17	2017/18
Hypermarkets	£16.5bn	£16.2bn
Supermarkets	£86.6bn	£86.0bn
Convenience	£37.5bn	£40.0bn
Discounters	£17.9bn	£20.1bn
Online	£10.5bn	£10.4bn
Other	£10.0bn	£11.8bn

1. Kantar Worldpanel Total Market Penetration for the 52 weeks to 22 April 2018.
2. Institute of Grocery Distribution, UK Grocery June 2017.
3. Kantar Worldpanel Total Market for the 52 weeks to 31 March 2018.

Chairman's statement

During the year to 31 March 2018, encouragingly revenue grew to £819.2m (an increase of 3.6%), Trading profit grew to £123.0m (an increase of 5.1%) and profit before tax increased to £20.9m. Importantly, the business has taken a positive step towards its objective of achieving an EBITDA to Net debt ratio of less than three times, reducing the level of Net debt by £26.8m to £496.4m.

Overview of the business

As a new joiner to the business and Board in October, my impression, is that there are a lot of positive attributes to the business, which are not always recognised. It is now well integrated and efficient, generating comparatively good operating margins on its revenues in a challenging sector. The standard of brand management and other support functions compares well with contemporary best practice which is a strength in the food industry, where future growth comes from understanding and aligning with consumer trends. I have visited many of the business's factories. These are impressive assets and the heart of the business, full of long-serving teams, with know-how, pride and enthusiasm. The level of skill, professionalism and commitment across the business, provides it with a platform for further performance.

The business has a strong stable of category-leading British brands, which play an important role in UK food production and distribution. The business has now become increasingly innovative. This is reflected in the accelerating programme of new product development, brand extensions, strategic partnerships, a growing international business and rigorous cost management through continuous process improvements. These have made meaningful contributions to the results for the year and should support future performance.

Not everything in business is plain sailing, particularly with the economic and sector headwinds mentioned by Gavin Darby, our Chief Executive Officer, in his statement on page 05. We operate in a sector which has seen a lot of change, which we anticipate continuing with Brexit and ongoing changes to respond to issues in relation to nutrition and plastic. However, this is a business well versed in the need to swiftly adapt. At Premier Foods, we are in the good position of having brands that play a role in everyday family lives, brands that our consumers value, enjoy and benefit from. Ensuring that they continue to do this is important and so is accepting our broader social responsibility for well-being and the environment. Our policies on food content and use, as well as packaging, have been reviewed by the Board and further details can be found on pages 18 to 24. These are important topics that we intend to continue making progress with over the coming years.

> "At Premier Foods, we are in the good position of having brands that play a role in everyday family lives, brands that our consumers value, enjoy and benefit from."

Board changes

Turning to our Board, David Beever retired as Chairman in November 2017 after nearly ten years' service – his colleagues and many friends in the business thank him and wish him well. Tsunao Kijima, a non-executive director appointed by Nissin under our Relationship Agreement with our largest shareholder, retired from the Board in March 2018 and was succeeded by Shinji Honda. We would like to thank Tsunao for his service and we welcome Shinji to the Board. In addition, Daniel Wosner resigned from the Board on 28 March 2018, when Oasis Management Company Limited gave notice of the termination of its Relationship Agreement, and I would like to thank him for his service on the Board.

In closing, I would like to reassure readers that the Board and the management are fully aware of our responsibility to achieve a position in which we create increasing and sustainable value for shareholders. Although good progress has been made during the year, the Company still has relatively substantial levels of debt and pensions obligations. We are acutely aware that there remains much continuing work to do in managing these and achieving effective, practical, long-term solutions. We are conscious of our responsibility to those who support us by providing finance, as well as our obligations to colleagues and pensioners who depend on the outcome of this work. We appreciate your continued support, as well as that of our customers, partners and suppliers.

I believe that the business is doing the right things and making progress.

Keith Hamill OBE
Non-executive Chairman
15 May 2018

Business model

As a business we believe we have certain capabilities which set us apart from our competitors. We have a broad range of category leading British brands, we have the ability to serve a wide range of customer channels in both the UK and overseas and the capability to manufacture a diverse range of products in multiple formats.

We have a unique portfolio of British brands which are well loved by the British consumer. We put the consumer at the heart of everything we do and use our insights to create innovative new products that meet consumers' needs.

We build strong relationships with our customers and build joint plans for mutual growth. We are able to service a full range of customers from the major retailers, discounters, convenience, food service, wholesale and international markets.

Our manufacturing capability gives us the scope to manufacture a diverse range of products from sauces, powder mixes, desserts and cakes in a range of formats from tins, jars, pouches and cartons. We have an experienced management team who have a deep understanding of today's food industry and a workforce with many years of experience in manufacturing and product development.

We are committed to being a responsible food business and have leading standards of safety, both for our food and our colleagues. We have taken a pro-active role in the health agenda, making a number of key commitments over the next few years.

Our values define how we work together and do our jobs. All colleagues in the business understand the importance of our five key values:

- We aim higher;
- We champion fresh ideas;
- We are agile;
- We are united; and
- We respect and encourage one another.

BRANDS

- Unique portfolio of leading British brands
- Strong insights into UK consumers
- Creating innovative new products to meet consumers' needs

CUSTOMERS

- Ability to serve a wide range of channels in both the UK and overseas
- Understanding our customers and working with them to deliver mutual growth plans

OPERATIONS

- Excellent operational capability
- Ability to manufacture a diverse range of products and formats
- Experienced and dedicated workforce

Underpinned by our values and our commitment to be a responsible food company

The strategic report on pages 04 to 29 was approved by the Board of directors on 15 May 2018 and signed on its behalf by

Gavin Darby
Chief Executive Officer

Chief Executive's review

I'm pleased to report a positive set of results which beat market expectations on all key metrics and demonstrates that our key strategies are working. 2016/17 was a tough year for the food industry, so we responded by rebalancing our priorities to place our business on a stronger footing. We set out a clear plan to reduce our Net debt to EBITDA leverage ratio to below three times, a plan to which we are completely committed; balancing three key levers of revenue growth, cost control and cash generation.

During the year we successfully executed the first stage of this plan. Encouragingly, after a slower start in the first quarter, growth accelerated during the year, with revenue in the second half up +5.3% and +7.0% higher in quarter four.

Three important drivers of this performance were innovation, our International business and our strategic relationships with Nissin and Mondelēz International.

> "Our focus has placed Premier Foods back into revenue growth of 3.6%, a really encouraging performance, which provides us with strong momentum for the year ahead."

We have seen an acceleration of our product innovation this year with *Batchelors* Super Noodles, *Batchelors* Pasta 'n' Sauce and *Angel Delight* all now available in convenient pots. Our innovation is focused across four key areas; Health & Nutrition, Convenience, Snacking/On the go and Indulgence, all strengthening our customer relationships through invigorated ranges. From gluten free products, to lower calorie cakes, lower sugar custard and to ready to use gravy, our teams have been busy launching the products consumers love in the formats they tell us they need.

Through our two important strategic partnerships with Mondelēz International and Nissin, we have a strong platform to further grow our business. Our relationship with Mondelēz International has expanded significantly, providing the scope to further grow the *Cadbury* cake brand across an exciting 46 international geographies. Australia is now our biggest market after the UK, due to the growth of *Cadbury* cake and *Mr Kipling*. Meanwhile, our strategic Nissin partnership, not only provides access to a new supply chain and set of commercial relationships, but worldwide market leading Research & Development expertise which enabled us to bring UK consumers *Batchelors* Super Noodles in a pot, along with Nissin's Soba noodles and Cup Noodle. This has also helped *Batchelors* become the fastest growing brand in our portfolio in 2017/18, with over 13 million Super Noodles pots sold in the year.

Our International business saw strong double digit sales growth, an impressive trajectory at +25% which has nearly doubled sales over the last three years and means we have now grown for 14 consecutive quarters. Australia and Ireland are our two biggest International markets focussing initially on *Cadbury*, *Mr Kipling* and *Sharwood's*.

The business environment has seen lots of challenges over the past year, rising inflation and input prices, as well as an important focus on the packaging we use and the nutritional content of the products we sell. I am passionate about these topics and Premier Foods is taking a leading role alongside our industry peers, the Food and Drink Federation (FDF) and with the government. The obesity problem in our country is one that we all must play our part to solve and Premier Foods is committed to doing just that, whilst also providing choice and the great tasting products our consumers love. Meanwhile, Brexit continues to be at the forefront of our minds. We have successfully navigated the input cost wave initiated by the post referendum devaluation of Sterling, and we remain vigilant about the potential impacts from ongoing EU negotiations.

Alongside this we have been actively working on cost reduction. This is a two year plan, of which we are halfway through and includes ongoing efficiency programmes in our manufacturing sites, as well as the restructuring of our warehousing and distribution network. Combining our distribution operations into a single site in Tamworth is no small feat. We experienced some implementation challenges, but phase one of the transition is now complete and the second phase is well underway. With the process of integrating the rest of our Grocery and our Sweet Treats businesses under one roof during the course of this year, we look forward to better serving our customers.

This year we have taken another stride towards our strategic milestone of reducing our Net debt to EBITDA ratio to below three times, with Net debt now standing at £496.4m. This work has included tight focus on our capital investment, maintaining the affordability of our pension payments and disciplined management of working capital. Given this progress, we are now targeting to pass the milestone of 3x Net debt to EBITDA by March 2020.

In closing, I would like to acknowledge the tough but necessary decisions we made to resize our head office functions during the year. I am acutely aware that cost reduction programmes of this scale, forced us to bid farewell to some valued and very capable colleagues and ask much more from those who remained. My sincere thanks go to everyone concerned for their understanding and commitment.

So in summary, it has been a pleasing year overall where we have made progress in a number of key areas. We remain totally committed to delivering shareholder value and believe the strategy we have set out is the right one. With the strong momentum we created in 2017/18, we look to build upon this and expect to make further progress in the year ahead.

Gavin Darby
Chief Executive Officer
15 May 2018

Strategy

The Group's strategy is to give an equal focus to growing revenue, delivering cost efficiencies and generating cash. We believe this balanced approach will enable us to successfully deleverage the business and we are now targeting a Net debt to EBITDA ratio of below 3.0× by March 2020.

DRIVE REVENUE GROWTH

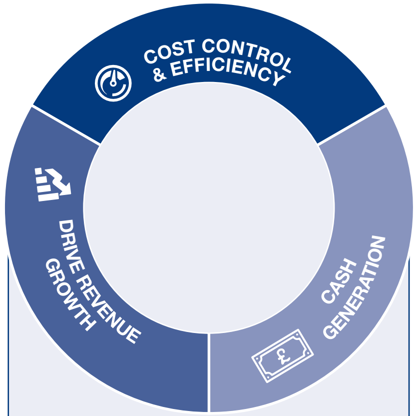
- **UK – Innovation through insights; growing to 10% of branded sales**
- **UK – Strengthen well established customer relationships**
- **International – Strong double digit growth through new and existing markets**
- **Strategic Partnerships – Nissin and Mondelēz International**

COST CONTROL & EFFICIENCY

- **Logistics restructuring programme**
- **Manufacturing cost savings programmes**
- **Capital projects**
- **Holistic margin management**
- **Maintain SG&A % sales**

CASH GENERATION

- **Tightly focused capital expenditure**
- **Maintain affordability of pension deficit contributions**
- **Disciplined working capital management**



TARGETING BELOW 3.0X NET DEBT/EBITDA BY MARCH 2020

DELIVERING SHAREHOLDER VALUE

Strategy in action

In the UK, a core objective is to deliver growth through innovation by investing in insights, marketing and our colleagues. At the same time we are leveraging the benefits of our strategic partnerships and driving strong growth internationally, whilst maintaining tight control of cash flow through cost control and efficiencies.

UK

Our innovation is aligned to consumer trends

We focus our insights and new products on four key consumer trends: Health & Nutrition; Convenience; Snacking/On the go and Indulgence. *Batchelors*, *OXO*, *Loyd Grossman* and *Cadbury* cake have all benefited from new products launched in the year and delivered revenue growth. Innovation has also been successful in rejuvenating some of our smaller brands, such as *Angel Delight*, which saw +11% revenue growth in 2017/18 following the launch of our new ready to eat pots.

New products accounted for 6.4% of UK branded sales

International

A substantial driver for future growth

We have had another strong performance from our International business which has seen sales growth of 92% over the last three years.

Growth was particularly good in Australia which is now our largest overseas market followed by Ireland. Overall Australia achieved +81% sales growth driven principally by Cake which now holds a 9.6% share. We also entered into a third category during Q4 (in addition to Cake and Sauces) with the launch of *Batchelors* Soupa!

International revenue up +25% to £61m in 2017/18

Strategic partnerships

Increasing importance of our strategic partnerships

Revenue from our partnerships with Nissin and Mondelēz International resulted in revenue growth of +19%. This was driven by our *Batchelors* Super Noodles pot product and sales and distribution of Nissin's Soba noodles and Cup Noodle ranges in the UK. In 2017/18 we extended our long standing relationship with Mondelēz International for a further five years and saw increased sales growth from *Cadbury* cake.

55% of Group revenue growth in the year came from our partnerships

Cost control & efficiency

Strong plans in place to maintain margin

We are undertaking a major transformation of our logistics operations into a single warehousing and distribution operation in Tamworth and are on track to deliver £10m of savings from manufacturing and logistics operations. The first phase of the project was completed in the year and the final two phases will be completed over the course of 2018/19. In addition we continue to focus capital investment on projects to increase capacity and to streamline manufacturing processes.

On track to deliver £10m in savings

Key performance indicators

We use a number of performance indicators to monitor financial, operational and responsibility performance

These are reviewed on a regular basis by our senior management teams and the Board. Performance indicators are used to encourage focus and measure performance across a range of areas and to highlight areas for attention and corrective action, as well as recognising good performance and celebrating success.

Group revenue

Year-on-year growth in revenue.

Why is this important?

Delivering revenue growth is one of our strategic priorities. This captures both branded and non-branded performance across all channels we operate in.

Progress we've made

Group revenue increased by 3.6% in the full year to £819.2m and we grew revenue in the last three quarters of 2017/18 and at 5.3% in H2. This is our best revenue performance for five years. This growth demonstrates strong results from our strategic partnerships with Nissin and Mondelēz International, continued growth of our International business and the benefit of our innovation programme in the year.

Trading profit

Trading profit is defined in the Operating and financial review on page 16.

Why is this important?

This measure reflects the revenues and costs associated with the operational performance of the business and is also a good proxy for the cash generative capacity of the business.

Progress we've made

Trading profit increased by 5.1% in the year. This improvement was driven by the benefits of revenue growth and a disciplined focus on cost efficiency, including SG&A savings from our cost saving programme.

Net debt to EBITDA ratio

The ratio measures the Group's overall level of debt. Net debt and EBITDA are defined in the Operating and financial review on page 16.

2017/18:

3.6×

(2016/17: 3.9×)

Why is this important?

The ratio is tied with the Group's priority to organically deleverage the business.

Progress we've made

Net debt reduced by £26.8m from £523.2 in 2016/17 to £496.4m in 2017/18. As a result of this deleveraging and EBITDA growth the ratio of Net debt to EBITDA reduced from 3.9× to 3.6×. The Group is targeting a Net debt to EBITDA ratio below 3.0× by March 2020.

Free cash flow

Free cash flow is defined in the Operating and financial review on page 16.

2017/18:

£28.8m

(2016/17: £15.1m)

Why is this important?

Free cash flow is a measure of the cash generated by the Group to pay down debt. It is also a good indicator of the underlying quality of earnings and the overall health of the business.

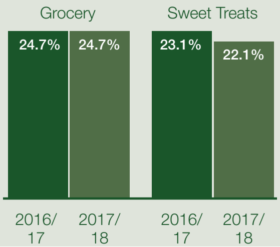
Progress we've made

Free cash flow increased from £15.1m in 2016/17 to £28.8m in 2017/18. This was driven by the increase in Trading profit, lower pension deficit contributions, restructuring costs and capital expenditure.

References to ‘underlying sales' and 'underlying Trading profit’ in the 2016/17 annual report have been removed as there are no adjustments required to be made to statutory results for 2017/18 or 2016/17. Environmental and Health & Safety performance is reported in more detail in the section on being a responsible food company on pages 18 to 24.

Branded market share

This is our branded retail sales expressed as a percentage of the retail sales of the categories in which we operate. (Based on IRI data for the 52 weeks ending 31 March 2018 and 1 April 2017).



Why is this important?

Increasing market share indicates consumer preference for our products and also demonstrates successful partnerships with customers to grow our overall categories.

Progress we’ve made

Grocery market share was flat in 2017/18 compared to the prior year. We have seen share gains in our Quick Meals, Snacks & Soups category following successful new product launches under the *Batchelors* brand, offset by share losses for *Ambrosia* following a move to more optimal promotional strategies. Sweet Treats market share was down slightly, reflecting lower levels of promotional activity in some parts of the market.

SG&A as a % of Group revenue

SG&A represents the selling, general and administration costs of the central functions together with that of the Grocery, Sweet Treats, International and Knighton operating segments.

2017/18:

7.9%

(2016/17: 8.8%)

Why is this important?

As part of our cost and efficiency strategy we intend to maintain a lean organisational structure; ensuring complexity and duplication are kept to a minimum.

Progress we’ve made

SG&A as a % of revenue reduced from 8.8% to 7.9% during the year. This is driven by the results of our cost and efficiency programme announced in January 2017.

% of products testing superior or at par with competitors

Consumer panel blind testing of our major branded products against their main competitor, whether branded or non-branded.

2017/18:

86%

(2016/17: 93%)

Why is this important?

This is an important measure of the quality of our product portfolio. It drives recipe improvements and ensures focus on consistent product quality.

Progress we’ve made

Overall our performance fell in the year reflecting an improvement in the quality of certain non-branded competitor products. To address this we have introduced a new programme focused on our top selling Grocery and Sweet Treats products to ensure that all test superior to our competitors.

The review covered 70% of our branded portfolio (by retail sales value) as part of a three-year rolling programme.

% of NPD to be ‘better-for-you’ choices

Revenue value of new product launches with a claimable nutrition benefit, e.g. 'source of fibre' as well as no red traffic lights on front of pack within our Grocery portfolio.

2017/18:

82%

(2016/17: 78%)

Why is this important?

Aligns with our insights which highlight consumers’ increasing focus on ‘better-for-you’ options. Further information on health and nutrition is set out in the section on being a responsible food company on page 18.

Progress we’ve made

Over the course of the period 82% of new product launches within our Grocery portfolio delivered a claimable nutritional benefit and none of these products had a red traffic light on front of pack. As one of our Commitments to Healthier Choices we have set a three-year target to ensure that at least 75% of new product launches each year across our Grocery portfolio will provide these kind of ‘better-for-you’ choices.

Operating and financial review

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

Three important drivers of this performance were innovation, our International business and our strategic partnerships with Nissin and Mondelēz International. Trading profit progress in the year benefitted from this encouraging commercial performance as well as our disciplined focus on cost and efficiency. We reduced Net debt to less than £500m and are now targeting a Net debt to EBITDA ratio below 3.0x – our initial target level – by March 2020.

Revenue

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

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

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

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

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

Batchelors led this growth with increased revenues of +13.0% in H2 and +10.6% in the full year. Three years ago, *Batchelors* had strong brand metrics (with household penetration of 50% and 30% market share) but revenues were falling by (12%) per annum and the portfolio was in clear need of revitalisation. Since then, utilising the extensive manufacturing and research & development expertise of our strategic partner, Nissin, coupled with the Group's innovation programme informed by its consumer insights, the *Batchelors* range has been substantially updated. Over the last year, the brand has introduced Super Noodles pots and Pasta 'n' Sauce pots in a variety of flavours and these ranges have been instrumental in the brand's growth during 2017/18. For 2018/19, new products to market include Cup a Soup to go and Super Rice & Sauce, both in convenient pot formats, presenting the platform for further progress this year.

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

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

The Group benefits from two major strategic partnerships; with Nissin Foods Holdings ("Nissin") and Mondelēz International. Revenue grew +19% during the year as a result of initiatives with these two key partnerships and they accounted for 55% of the Group's revenue growth in the year. The partnership with Nissin includes their support in developing the *Batchelors* Super Noodles pot product and the sales and distribution of the Soba noodles and Cup Noodle ranges in the UK. The long standing relationship with Mondelēz International was extended for a further five years during 2017/18 with an option to extend by a further three. The performance of *Cadbury* cake was again strong in the year, reflecting further growth in Australia. While sales of *Cadbury* cake in the UK were held back partly due to short-term capacity constraints in the year, a focus of capital investment in 2018/19 is set to increase *Cadbury* cake manufacturing capacity to satisfy this raised level of demand.

The International business has enjoyed its third consecutive year of excellent progress, with sales[8] up +25% in the full year and +34% in Q4 on a constant currency basis, while margins also increased. Over this three year period, sales has increased by 92% and the team has expanded from 9 to 43 people at the year end. International revenue of £61m now accounts for 7.5% of total Group revenue and has grown at a compound annual growth rate of 24% over the last three years.

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

Revenues for the Non-branded parts of the portfolio have grown strongly for the second year in succession and now account for nearly £150m of Group revenue. The constituent parts of the Group's Non-branded business are varied and include seasonal and non-seasonal cake ranges, business to business contracts in Grocery and the Knighton Foods ("Knighton") business. The growth in this area in 2017/18 was broad and reflected contract wins in Grocery, seasonal and non-seasonal cake and increased sales at Knighton.

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

Trading profit[1]

£m	**2017/18**	2016/17	Change
Divisional contribution[2]			
Grocery	**130.0**	129.9	0.1%
Sweet Treats	**25.8**	19.8	30.3%
Total	**155.8**	149.7	4.1%
Group & corporate costs	**(32.8)**	(32.7)	(0.4%)
Trading profit	**123.0**	117.0	5.1%

The Group reported Trading profit of £123.0m in the year; growth of £6.0m compared to 2016/17. Divisional contribution was £6.1m higher than the prior year period at £155.8m. The Grocery business recorded Divisional contribution broadly flat to last year of £130.0m while in Sweet Treats, Divisional contribution increased by £6.0m to £25.8m. Group & corporate costs were in line with the prior year at £32.8m.

Grocery Divisional contribution benefitted from increased sales during the year, as commented above. The Group also experienced material input cost inflation in the early part of 2017/18 from both commodity cost increases and the devaluation of Sterling. The Group takes a blended approach to managing these cost increases, managing its own efficiencies, adjusting promotional mechanics and formats where appropriate and finally looking at limited price increases where these cannot be avoided. The collaborative approach which the Group applies when working with its customers took longer than expected and while this impacted margins in the first half of the year, these returned to more normal levels in the fourth quarter.

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

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

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

In Sweet Treats, Gross profit margins were broadly in line with the prior year, as revenue growth was offset by adverse performances at manufacturing sites. The growth in Divisional contribution of +£6.0m was due to savings from lower levels of SG&A costs following the completion of the Group's SG&A restructuring programme and lower levels of consumer marketing investment compared to 2016/17.

Group and corporate costs were in line with the prior year as the central functions element of SG&A savings from the Group's restructuring programme were offset by costs relating to the resumption of management incentive schemes following non-payment in the prior year. The Group has resumed recruiting with a good balance of both internal promotions and external recruits sourced by a highly effective direct internal team, demonstrating a good return on investment. A new bonus structure for management has been put in place for 2018/19 which is aligned to shareholder interests, designed to incentivise and reward high levels of performance and increase the Group's competitiveness in the employment market.

Operating and financial review

Operating profit

£m	2017/18	2016/17	Change
Adjusted EBITDA[3]	**139.6**	133.2	+4.8%
Depreciation	**(16.6)**	(16.2)	(2.5%)
Trading profit	**123.0**	117.0	+5.1%
Amortisation of intangible assets	**(36.3)**	(37.9)	+4.2%
Fair value movements on foreign exchange and derivatives	**0.1**	(1.0)	–
Restructuring costs	**(8.5)**	(15.8)	+46.2%
Net interest on pensions and administrative expenses	**(2.5)**	(0.8)	–
Operating profit before impairment	**75.8**	61.5	+23.3%
Impairment of goodwill & intangible assets	**(6.5)**	–	–
Operating profit	**69.3**	61.5	+12.7%

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

Operating profit increased 12.7% in 2017/18 to £69.3m largely due to a reduction in restructuring costs to £8.5m from £15.8m in the prior year. Restructuring costs in the year primarily related to charges associated with the Group's logistics restructuring programme. An impairment charge of £6.5m in the year related to the write off of goodwill at Knighton Foods and the write off of Lyons' cakes intangible brand asset.

Amortisation of intangible assets was slightly lower in the year, at £36.3m, and net interest on pensions and administrative expenses was £2.5m in 2017/18, £1.7m higher than the prior year. This comprised administrative expenses incurred of £5.5m, partly offset by a net interest credit of £3.0m owing to an opening combined pension schemes surplus.

Finance costs

£m	2017/18	2016/17	Change
Senior secured notes interest	**32.2**	30.6	(5.2%)
Bank debt interest	**7.2**	8.1	11.1%
	39.4	38.7	(2.1%)
Amortisation of debt issuance costs	**5.0**	4.1	(22.0%)
Net regular interest[5]	**44.4**	42.8	(3.6%)
Fair value movements on interest rate financial instruments	**(0.4)**	(0.6)	32.7%
Write-off of financing costs	**4.0**	0.1	–
Discount unwind	**(0.4)**	5.6	–
Other interest	**0.8**	1.6	50.0%
Net finance cost	**48.4**	49.5	2.4%

Net finance cost was £48.4m for the year; £1.1m and 2.4% lower than 2016/17. Net regular interest in 2017/18 was £44.4m, an increase of £1.6m although slightly lower than management expectations. The largest component of finance costs was interest due to holders of the Group's Senior Secured notes of £32.2m. Bank debt interest of £7.2m was £0.9m lower in the period due to lower levels of average debt and slightly lower LIBOR levels in the first half of the year compared to the prior period. Amortisation of debt issuance costs was £5.0m.

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

Taxation

£m	2017/18	2016/17	Change
Overseas current tax			
- Current year	**0.8**	–	0.8
Deferred tax			
- Current period	**(4.1)**	(6.4)	2.3
- Prior periods	**(8.1)**	1.1	(9.2)
- Adjustment to restate opening deferred tax at 17.0%	**(2.3)**	(1.2)	(1.1)
Income tax charge	**(13.7)**	(6.5)	(7.2)

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

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

Earnings per share

Earnings per share (£m)	2017/18	2016/17	Change
Operating profit	**69.3**	61.5	7.8
Net finance cost	**(48.4)**	(49.5)	1.1
Profit before taxation	**20.9**	12.0	8.9
Taxation	**(13.7)**	(6.5)	(7.2)
Profit after taxation	**7.2**	5.5	1.7
Average shares in issue	**836.8**	830.1	(6.7)
Basic earnings per share (pence)	**0.9**	0.7	0.2

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

Adjusted earnings per share (£m)	2017/18	2016/17	Change
Trading profit	**123.0**	117.0	6.0
Less: Net regular interest	**(44.4)**	(42.8)	(1.6)
Adjusted profit before tax[4]	**78.6**	74.2	4.4
Less: Notional tax (19%/20%)	**(14.9)**	(14.8)	(0.1)
Adjusted profit after tax[6]	**63.7**	59.4	4.3
Average shares in issue (millions)	**836.8**	830.1	(6.7)
Adjusted earnings per share (pence)[7]	**7.6**	7.2	0.4

Adjusted profit before tax was £78.6m in 2017/18, an increase of £4.4m in the year, as the increase in Trading profit in the year of £6.0m was partially offset by higher interest costs as described above. Adjusted profit after tax was £63.7m in the year after deducting a notional 19.0% tax charge of £14.9m. This was an increase of £4.3m compared to the prior year. Based on average shares in issue of 836.8 million shares, adjusted earnings per share in the period was 7.6 pence, a +6.4% increase on the previous year.

Operating and financial review

Free cash flow

£m	2017/18	2016/17
Trading profit	**123.0**	117.0
Depreciation	**16.6**	16.2
Other non-cash items	**2.8**	4.3
Interest	**(38.0)**	(39.8)
Taxation	**1.0**	–
Pension contributions	**(39.8)**	(51.7)
Capital expenditure	**(19.2)**	(20.9)
Working capital & other	**(0.6)**	4.7
Restructuring costs	**(12.5)**	(13.7)
Purchase of own shares	**–**	(1.1)
Proceeds from share issue	**1.2**	0.1
Sale of property, plant & equipment	**1.3**	–
Financing fees	**(7.0)**	–
Free cash flow[10]	**28.8**	15.1
Statutory cash flow statement		
Cash generated from operating activities	**52.4**	37.0
Cash used in investing activities	**(17.9)**	(20.9)
Cash generated from/(used in) financing activities	**7.2**	(42.0)

£m	2017/18	2016/17
Net increase/(decrease) in cash & cash equivalents	**41.7**	(25.9)

The Group reported Free cash flow in the year of £28.8m. Trading profit of £123.0m was £6.0m ahead of the prior year for the reasons outlined above, while depreciation was broadly in line with 2016/17. Interest paid in the year was £38.0m due to lower levels of average debt during the year. A taxation credit of £1.0m was received in the period from Irish tax authorities in respect of tax paid in prior years. Pension contributions in the year were £39.8m, in line with expectations, and a reduction of £11.9m from the prior year, principally due to the re-negotiation of deficit contributions to the Group's pension schemes announced in March 2017. Capital expenditure was £1.7m lower in the period at £19.2m; the Group's expectations for the coming year are for investment of no more than £22m, and a return to a more equal balanced weighting across efficiency, growth and maintenance projects after a year more weighted to maintenance. Restructuring costs associated with redundancies relating to the Group's cost reduction and efficiency programmes and implementation costs associated with the Group's logistics transformation programme together amounted to £12.5m, £1.2m lower than the prior year. Financing fees of £7.0m relate to costs associated with the extension of the Group's revolving credit facility and the issue of new £210m Senior Secured floating rate notes early in the financial year.

On a statutory basis, cash generated from operations was £89.4m compared to £76.8m in 2016/17. This was primarily due to lower pension deficit contributions, and an increase in Operating profit, as described above. Cash generated from operating activities was £52.4m in the year after deducting net interest paid of £38.0m and taxation received of £1.0m. Cash used in investing activities was £(17.9)m in the year compared to £(20.9)m in 2016/17. Cash generated from financing activities was £7.2m in 2017/18 compared to cash used of £42.0m in the prior year. This was principally due to proceeds from borrowings of £210.0m which reflected the issue of new Senior Secured floating rate notes, the repayment of the 2014 £175.0m Senior Secured floating rate notes and the associated reduction in the Group's revolving credit facility.

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

Net debt and sources of finance

	£m
Net debt[9] at 1 April 2017	**523.2**
Free cash inflow in period	(28.8)
Movement in debt issuance costs	2.0
Net debt at 31 March 2018	**496.4**
adjusted EBITDA	139.6
Net debt / EBITDA	**3.56x**

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

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

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

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

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

Pensions

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

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 31 March 2018 of £317.0m, equivalent to £263.1m net of a deferred tax charge of 17.0%. This compares to a combined RHM and Premier Foods' schemes surplus at 1 April 2017 of £104.8m and £87.0m net of deferred tax. A deferred tax rate of 17.0% is deducted from the IAS19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax.

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

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

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

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

Outlook

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

In the UK, a core objective for the Group continues to be the delivery of growth through innovation and realising benefits from its increasingly important strategic partnerships. Plans are in place this year to increase consumer marketing investment, invest in our colleagues and deliver savings from our cost efficiency programmes. The Group expects the International business to continue to deliver strong double-digit growth over the medium term. This year the Group expects to make further balanced progress in all its key priorities; weighted to the second half, and building on the strong momentum created in 2017/18.

Gavin Darby
Chief Executive Officer

Alastair Murray
Chief Financial Officer

Operating and financial review

Appendices

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

Quarter 4 Sales

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

Notes and definitions of Non-GAAP measures

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

1. Trading profit is defined as profit/(loss) before tax before net finance costs, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses.
2. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
3. Adjusted EBITDA is Trading profit as defined in (1) above excluding depreciation.
4. Adjusted profit before tax is Trading profit as defined in (1) above less net regular interest.
5. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2016/17: 20.0%).
7. Adjusted earnings per share is Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 836.8 million (52 weeks ended 1 April 2017: 830.1 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.
11. References to 'Underlying results' in previous financial periods have been removed as there are no adjustments required to be made to statutory results for 2017/18 or 2016/17.

Additional notes:

Group & corporate costs refer to group and corporate expenses which are not directly attributable to a business unit and are reported at total Group level.

In line with accounting standards, the International and Knighton business units, the results of which are aggregated within the Grocery business unit, are not required to be separately disclosed for reporting purposes.

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

INTRODUCTION

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Being a responsible food company

Introduction

As one of the UK's largest food manufacturers nothing is more important than the quality and safety of the food we produce and the health and safety of all those that work in our business. Being responsible and sustainable underpins our business strategy and is crucial to how we drive growth, productivity and reputation in the longer-term interest of our shareholders, colleagues and all those who touch our business.

To support this we've developed our sustainability agenda around a theme of 'Bringing Britain Together' which reflects the values inherent in our brand portfolio. In this way we can bring our colleagues, suppliers and stakeholders together to address issues important to the sustainability of our business, our communities and our country. Bringing Britain Together is based around five core commitments:

- encouraging healthier food choices for our consumers and our colleagues;
- developing the skills our industry needs for the future;
- collaborating with our suppliers to drive higher ethical and environmental standards;
- delivering environmental improvements across our operations; and
- supporting our communities on a local and national level.

350 tonnes

of sugar removed from our products

Encouraging healthier food choices

We are proud to supply great British brands that millions of consumers love and enjoy as part of a balanced, healthy diet. We recognise that consumers' tastes are changing, and that industry and government need to work together to promote healthier lifestyles and choices.

We want to play our part and have a strong track record in doing so, reducing the amount of salt in our products by 1,000 tonnes since 2010 and so far we have also removed 350 tonnes of sugar from our products, primarily from our cakes and desserts. Reformulating our *Ambrosia* Devon Custard over two phases has removed approximately 200 tonnes of sugar from the UK diet annually.

We know that some of our customers want to look at their whole diet to ensure a balanced and healthy approach. Calories are a good reflection of this at a product level, so we introduced calorie caps of 325 calories for all new cake products and 450 calories for all new desserts products launched over the last year. We have also extended our 'better-for-you' options with three new *Mr Kipling* cake slices: Rockin' Raspberry, Awesome Apple and Smashing Strawberry, all with 30% less sugar and an average of just 92 calories per slice.

Some consumers are looking to cut down on their gluten intake, so we have been working closely with Coeliac UK to cater for our 'Free From' consumers. Gluten free *Bisto* and *Paxo* were launched this year, enabling those with a gluten or wheat intolerance to still enjoy the perfect roast dinner. *Mr Kipling* also entered the 'Free From' cake category, with gluten free Cherry Bakewell Mini Tarts and Loaf Cake, Ginger and Lemon Loaf Cake, and Apple Loaf Cake.

Our 10 commitments to Healthier Choices:

No.	Commitment	Status
1	Remove 1,000 tonnes of added sugar from our portfolio by end of 2018 (vs 2015 base year), primarily through a 4–10% reduction across our cake, desserts and cooking sauces brands.	On target
2	Introduce calorie caps for all of our cakes and desserts in line with Public Health England's proposed maximum calorie caps (325 for cake and 450 for desserts).	Embedded
3	Continue expanding the proportion of single portion packs of cake from 40% to at least 50% of our branded cake portfolio by end of 2018, to help consumers control their intake.	Below target
4	Ensure at least three-quarters of new products, in our Grocery portfolio are 'better-for-you' choices.	Embedded
5	Launch nutritious new products, including a range of affordable quick meals with higher levels of fibre, protein and micro-nutrients.	Embedded
6	Reduce salt to meet the Government's 2017 salt targets in 15 categories, and ensure all new products are in line with these targets.	Embedded
7	Prohibit the advertising or marketing of foods high in sugar, salt or fat in any broadcast and non-broadcast media directly targeted at children under the age of 16.	Embedded
8	Help improve consumer understanding of nutrition by enhancing the information we provide through our own communications channels and continuing to champion front of pack traffic light nutrition labelling.	Embedded
9	Work with our suppliers to create innovative new technologies, ingredients and products that will provide a nutritional benefit to our brands.	Embedded
10	Expand healthy eating programmes across all of our factories and offices to encourage colleagues to make healthier choices.	Embedded

Embedded On target Below target

82% of the new Grocery products we launched this year were also ‘better-for-you’, defined by having a claimable nutritional benefit, for example ‘source of protein’ as well as not having any red traffic lights on the front of pack which signposts that the products are not high in fat, saturated fat, sugar or salt. For example, we launched a range of cooking sauces for younger consumers under the *Homepride* brand with no added salt or sugar – and low in fats, sugar and salt.

Providing healthy choices is just as important for our workforce and so three of our factory sites (Ashford, Lifton and Stoke) have been trialling a new healthy eating programme this year, to increase the choice and availability of healthier food options in our canteens. Feedback has been extremely positive, so we hope to roll this out across more of our sites in the year ahead.

In 2016/17 we set out 10 commitments to Healthier Choices that we aim to deliver by the end of 2018 (see the table opposite). We are pleased to confirm that of these, eight are now fully embedded and one is on target. Our commitment to expand the proportion of single portion packs of cake from 40% to at least 50% is currently below target and we are reviewing actions to address this.

Developing the skills our industry needs

The UK food industry continues to experience a shortage of skills in critical areas, such as engineering and food science, with the uncertainty surrounding Brexit only adding to the issue. To counter this we are committed to bringing new people into our industry, and in the past year have invested resources into working with schools and higher education, as well as continuing to increase the number of apprentices and graduates in the organisation, across all areas and locations.

Apprentices are an important part of our future talent strategy and we now employ more apprentices than ever before. In the past 12 months alone, 41 new apprenticeships (a combination of new recruits and existing colleagues) have started and we will add around 70 more apprentices in the next financial year. Graduates also play an important role in building internal talent pipelines. In 2018 we’ll recruit our fourth consecutive intake of ‘Commercial’ graduates, and we are starting to see those who have completed their three-year programme take on permanent key roles within the organisation.

We continue to support local schools and colleges, and believe we have an important part to play in helping young people, parents and teachers to understand the wealth of career opportunities that exist in our industry. Consequently, we work very closely with the Institute of Grocery Distribution (IGD) and we are one of the biggest supporters of their Feeding Britain’s Future schools campaign, where we provide volunteers to support structured pre-employment skills training sessions for year 9 and year 12 students. In the past year, Premier Foods’ volunteers took part in 108 workshops in a variety of schools across the country.

We have also developed partnerships with local schools through the IGD’s Schools Programme initiative, and five of our sites now have formal relationships with local schools, providing CV writing, confidence building and interview skills, and importantly, introducing students to the many career opportunities in the food and drink sector.

Collaborating with our suppliers to drive higher standards

The Group works with over 1,200 active suppliers and develops close partnerships with its key suppliers to deliver mutual benefits. Over the year 83% of our total (third party) spend was with UK based suppliers. This slight reduction from the previous year (2016/17: 89%) was principally the result of the devaluation of Sterling, cost inflation and more expensive imports. Our top 250 suppliers now account for in excess of 90% of our total spend on the goods and services that we purchase.

Whatever we buy, it’s important we understand the impact the product has on the environment, animal welfare and the people that produce it. We always aim to purchase ingredients and packaging certified to meet recognised environmental and ethical standards whether this be palm oil from producers that meet the Roundtable for Sustainable Palm Oil (RSPO) criteria, egg products that are certified from cage-free hens or cardboard boxes and other paper products that meet the Forestry Stewardship Council requirements.

Last year we were again recognised by the World Wide Fund For Nature (WWF) for our positive action to support sustainable palm oil sourcing, scoring top marks in the WWF’s Palm Oil Buyers Scorecard. We were also pleased to retain our third tier ranking in the Business Benchmark on Farm Animal Welfare’s (BBFAW) annual rankings in recognition of our commitments and 2025 goals to support improved animal welfare. We will be working with the BBFAW to investigate ways to improve our performance in the year ahead.

We continue to champion high ethical standards at our own sites and through our supply chain. For the third year running all of our manufacturing sites (except for our Knighton Foods business ('Knighton')) have become Stronger Together business partners, meaning they’ve been recognised for addressing modern day slavery and third party exploitation in the workplace. Knighton will become a business partner over the course of 2018. We also ask all of our ingredient and packaging suppliers to become members of Sedex (the Supplier Ethical Data Exchange) supported by our own Sedex Member Ethical Data audits covering areas such as health & safety and labour rights. At year end, 98% of our direct spend was covered by Sedex registered suppliers (excludes Knighton).

Building on our commitment to health & safety, we have initiated a programme with our UK co-manufacture suppliers to improve safety standards within our supply chain. Over the year we visited and assessed 12 of our key UK partners from an H&S perspective, sharing best practice and learnings.

83%

of total business spend is with UK suppliers

Being a responsible food company

Delivering environmental improvements across our operations[1]

We're continually looking for ways to improve our environmental performance and actively engage in the wider environmental agenda in the UK. All colleagues are encouraged to play their part through our 'Green Matters' initiative, an internal environmental campaign supported by 68 Environmental Champions across our sites (a 20% increase in Champions from 2016/17).

The Green Matters initiative is in partnership with the Woodland Trust's Woodland Carbon Scheme. This scheme encourages colleagues to save energy and CO_2 emissions by planting 25m^2 of trees for every tonne of carbon we reduce our emissions by. In the three years that the scheme has been running we have planted 21 acres of new woodland. This has removed a further 3,498 tonnes of CO_2 from the atmosphere over and above the reduction achieved by our sites. We plan to further improve this initiative by working with the Woodland Trust and the Rivers Trust to plant the trees on farmland that produces our raw materials. This work will not only reduce CO_2, but provide added benefits such as reducing soil erosion, prevention of flooding and shelterbelts to improve crop yields.

All of our manufacturing sites (excluding Knighton) are accredited to ISO 14001 Environmental Management Systems. We reduced our CO_2 emissions per tonne in eight out of our nine manufacturing sites achieving a 3.6% reduction in emissions overall compared to the previous year as a result of greater efficiency and focus. In 2017 we removed Heavy Fuel Oil as the main source of power for the boilers from our Lifton site and this has greatly reduced the sulphur and particulates emissions from the site. During 2018 the site will transition to natural gas, and this is expected to reduce the CO_2 emissions from the site by approximately 25%.

Higher production volumes meant that our non-ingredient water usage was higher in the period. However, river water abstraction at our Lifton site in Devon reduced by more than half due to investment in water efficient cooling technology.

Plastic packaging

We strongly believe that in order to effectively address the global issue of plastic packaging waste, we must work collaboratively, including industry players, local and national governments, civil society and consumers. We support the vision of a circular economy, where plastic is valued and every part of the value chain works together to ensure that it doesn't pollute the environment.

As a business, our products are packed in a way that balances food safety, with freshness and taste, shelf-life, convenience and environmental sustainability. Less than one third of our packaging is plastic and 70% of our packaging is currently recyclable, according to current WRAP On-Pack Recycling Label guidelines. In addition to this, we clearly label our products to encourage consumers to recycle and we have removed over 240 tonnes of plastic materials from our packaging portfolio in the last three years. We are still striving to do more and have plans in place to increase that to 320 tonnes by the end of 2018.

In March 2018, we established a project group to review the role of plastic in our packaging and continue to identify ways to further reduce our plastic use and improve its recyclability. And in April 2018, we became a founder member of the UK Plastics Pact, see the table opposite for further details of the key initiatives.

Zero

waste to landfill maintained in 2017/18

Food waste

We maintained our zero waste to landfill commitment and further reduced the amount of waste sent for incineration by 23% as a result of improved segregation and awareness. As a business we have signed up to the Champions 12.3 commitment (a coalition that consists of governments, businesses and other organisations) to work towards the UN Sustainable Development Goal 12.3 of halving food waste by 2030. We have identified a number of opportunities to drive down food waste. One project completed in 2017/18 at our Ashford site has removed 188 tonnes of salt food waste from anaerobic digestion disposal. This salt is cleaned and recycled back into salt that can be used as water softener in our boiler systems. We have been actively working to increase food redistribution through Company Shop and their charity, Community Shop. This has enabled us to increase our food redistribution by 36% during the calendar year to 31 December 2017 compared to 2016. Further increases in food redistribution are planned, with new targets outlined in the table opposite.

Environmental performance 2017/18[1]

As reported last year, we have moved from reporting against annual targets to reporting progress against longer-term goals aligned with the various commitments we've made to industry programmes. These also reflect our formal obligations under the Climate Change Agreement, Carbon Reduction Commitment and European Union Emissions Trading Scheme.

This table outlines the longer-term targets under the FDF's 2025 Ambition and the Courtauld 2025 commitment on food waste against which we are tracking our own progress.

Area	Target	Progress	
CO_2 emissions	Achieve a 55% absolute reduction in CO_2 emissions by 2025 against the 1990 baseline.	Our overall CO_2 emissions in 2017/18 have reduced by 26.4% to 75,950 tonnes against our baseline figure of 103,102 tonnes CO_2 (Year ended 31 December 2008 when we first started to collate emissions data).	On target
Food waste	Send zero food waste to landfill from direct operations and beyond and contribute to reducing food waste across the whole supply chain from farm to fork, including within our operations. Increase food waste re-distribution to over 750 tonnes per annum by 2020.	During 2017/18 we have continued to maintain zero waste to landfill. We have increased the amount of food waste that goes to re-distribution by 233 tonnes, an increase of 36% and 77.5% of our food waste was reused for animal feed or redistributed.	On target
Packaging	Minimise the impact of used packaging associated with food and drink products and encourage innovation in packaging technology and design that contributes to overall product sustainability.	We are proud to be founder members of both Courtauld 2025 and the UK Plastics Pact. Together by 2025, these initiatives aim to: • reduce consumer waste in the home, including packaging, by 20%; • eliminate unnecessary single use plastic; • move to 100% reusable, recyclable or compostable plastic packaging; • ensure that 70% of plastic packaging is effectively recycled or composted; and • use an average of 30% recycled content across plastic packaging.	On target
Water	Deliver continuous improvement in the use of water across the whole supply chain and take action to ensure sustainable water management and stewardship. Contribute to an industry-wide target to reduce water use by 25% by 2020 compared to 2007.	Premier Foods sits on the Courtauld 2025 Water Stewardship Steering Group as Co-Chair. Projects are underway to change the Premier Foods Green Matters initiative to focus on planting trees where they can reduce water stress, flooding and soil erosion from farm land. Our overall water usage was 787,453 Cubic Meters, a reduction of 21.5% against our baseline figure of 1,002,512 Cubic Meters (Year ended 31 December 2008 when we first started to collate water usage data).	On target
Transport	Reduce the environmental impact of our transport operations, whether from own fleet operations or third party hauliers, in terms of both carbon intensity and air quality aspects. Embed a fewer and friendlier food miles approach within food transport practices.	Electric vehicle charging points have been installed at three of our sites and within the next twelve months charging points will be installed at a further three sites. The consolidation of our logistics operations during the year has seen a reduction in road miles of approximately 367,000 miles and we estimate that this will have reduced our CO_2 emissions from transport by around 480 tonnes.	On target

1. With the exception of CO_2 emissions, environmental performance excludes the performance of Knighton.

On target

Being a responsible food company

£410K

raised for Cancer Research UK

Supporting our communities

Supporting the communities in which we operate locally and nationally is in the DNA of our business and a powerful way to engage our colleagues behind a shared and meaningful ambition.

March 2018 saw the conclusion of our three year partnership with Cancer Research UK (CRUK), raising £410,000 for the charity and far exceeding our original target of £250,000 with a large proportion of donations sourced from employee led fundraising activities and events right across the country. We are extremely proud of our colleagues' efforts, which we know will make a huge difference to CRUK's life saving fight against cancer.

Hot on the heels of this success, April 2018 saw colleagues vote to support Mind UK as our corporate charity partner for the next two years and plans are already underway for a range of exciting fundraising events, including a 22 mile charity walking challenge along the Jurassic coastline.

We know that aiming for a collective goal is a wonderful way to raise money for an important cause whilst also bringing our sites together, however, many colleagues also appreciate being able to fundraise for more local charities and community projects. Over the past year this has included supporting local children centres, community groups, woodland projects and hosting lunches for the elderly.

To reflect this, we are broadening our charity ambitions to three key areas:

- raising £200,000 for our corporate charity partner Mind UK over two years;
- supporting local community projects and initiatives through employee led volunteering and fundraising; and
- supporting Grocery Aid, an industry charity that makes life better for grocery people in need.

Our colleagues

Learning and development

The development of our people, at sites and in our offices, is important if we are to be able to respond to the changing demands of our industry. We invest in site based training to equip our people with the right skills to operate safely, effectively and more efficiently, and where appropriate, we support colleagues who need a professional qualification to help them to do their jobs.

We have just completed the final cohort of our leadership academy programme where, over the past 18 months, almost 100 senior leaders have taken part. We're now looking at a development programme for middle and first line managers, to start during 2018.

Health & Safety

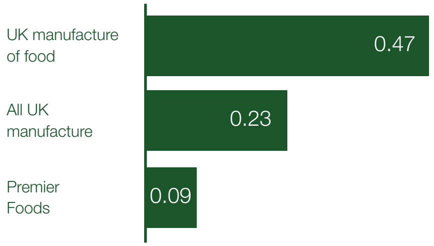
Health & Safety is taken extremely seriously by management at all levels in the business, and we are proud to have one of the lowest accident rates in the food industry. Our unique, inclusive approach to hazard identification and control, our 'Total Observation Process', is a vital preventative tool in making our factories safer places to work and is a key ingredient in our industry leading performance as indicated by the chart opposite.

Our ambition is to have zero accidents across our business, and to support this we have launched a behavioural programme across our sites called BeSafe. This encourages all colleagues to identify and discuss both safe and unsafe actions within their workplace, carried out by co-workers or contractors, to heighten understanding and awareness of individual behaviours within the workplace. Since launch, colleagues have identified 851 safe acts and 502 unsafe acts. This then helps manufacturing sites to target resources to improve safety in the most effective areas.

The Board reviews Health & Safety performance as part of the CEO's report at every scheduled Board meeting, which includes two important measures: Lost Time Accidents (LTA), which represent accidents that result in a colleague having to take any time off work; and Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) which is the standard regulatory measure of identifiable, unintended incidents, which cause physical injury.

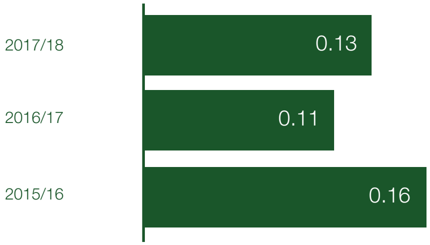
Our Safety Leadership Plus programme has been successful in improving safety at sites and has increased engagement across our factories, which has helped to maintain our industry-leading health & safety performance. In addition, our Behavioural Safety programme is being rolled out at each site to ensure safety is embedded at all levels.

RIDDOR



All RIDDOR accidents per 100,000 hours worked (excludes Knighton)

LTAs



All LTAs per 100,000 hours worked (excludes Knighton)

Communication and engagement

We continue to place a high degree of importance on communicating with colleagues at all levels of the organisation. In recent years we have invested in this area, with large digital news screens at every site, our mobile-enabled intranet, a weekly news round-up email and posters. We also video stream our CEO led colleague briefing sessions direct to all sites in addition to cascading it through local briefings.

We believe it is important to hear views from our colleagues in order to understand how the working environment can be improved. In our manufacturing sites, we have constructive relationships with our Trade Union colleagues, whilst in head office we have recently run ‘Listening Groups’ and regularly host ‘Meet the CEO’ sessions and ‘Lunch and Learn’ events.

Diversity and inclusion

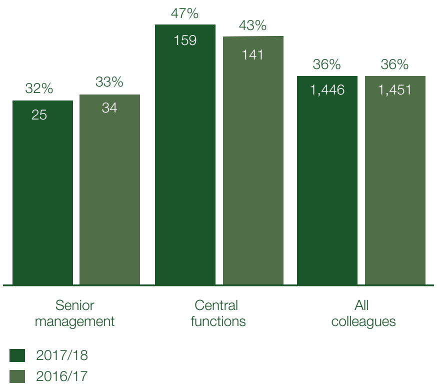
We are committed to having an inclusive culture across our whole organisation. We aim to ensure all existing or potential colleagues are given equal opportunities and are equally respected, valued and encouraged to give their best at all times.

In March 2017, the Board approved a new Diversity & Equality policy statement which sets out our approach to equal opportunities and the avoidance of discrimination at work. We have also established a diversity working group which monitors progress against key areas and reports annually to the Board.

Rather than focusing on setting specific targets for diversity (gender and ethnicity) our focus has been to understand where issues arise, identify and remove potential blocks and seek to improve processes and training. This has involved:

- communicating our Diversity & Equality policy across the business and incorporating it into the induction process for new starters;
- identification of areas in the business where diversity is considered to be low;
- specific training for those involved in recruitment;
- meetings between HR leads and senior management to raise awareness of issues, provide training and identify solutions; and
- annual collation of data and review of progress.

Gender diversity (% female as at 31 March 2018)



We have monitored and published our gender diversity statistics since 2011 and a key target of our diversity agenda has been to improve female representation in senior management. We are addressing this through improvements in recruitment, talent management, flexible working and maternity provision. This has helped us to increase the number of women in leadership roles from 25% in 2015/16 to 32% as at 31 March 2018. However, we recognise that there is still much work to do in this area and it will continue to be an area of focus for the business.

Gender pay reporting

As a food manufacturing business, more than 80% of the people we employ work in our factories, where the balance of the workforce is male (67:33). Whilst this level of gender diversity is indicative of the food manufacturing industry as a whole, it means our gender balance is uneven and, because staff turnover levels at sites are low, it will take time to address this. The picture is different in our office environments. Here the balance is even at 50:50, largely because these types of working environments tend to attract both men and women.

Following the government’s decision to introduce mandatory gender pay gap reporting, we were one of the first large businesses in our industry to publish data on our gender pay gap.

Full details can be found on our corporate website www.premierfoods.co.uk/responsibility/Gender-Diversity

Being a responsible food company

The data illustrates our mean and median hourly gender pay gap, at the snapshot date of 5 April 2017.

Gender pay gap

Mean **14.6%**

Median **9.8%**

Gender bonus gap

Mean **40.1%**

Median **–15.7%**

Although there is clearly a gap, it is below the UK average of 18.4% (ONS Labour Market data March to May 2017). Also it is important to emphasise that as a business we are completely committed to the principles of equal pay and at Premier Foods women and men are paid equally for doing equivalent jobs with equivalent experience.

Our gender pay gap is the result of having more men than women in management roles which attract higher salary levels. Our gender bonus gap is primarily driven by having more men than women on our leadership team, and these colleagues attract a higher level of bonus. However, at a median level the gap reverses and our female colleagues earn 15.7% more than their male counterparts.

Code of conduct and whistleblowing helpline

We are committed to ensuring that the people who work within our business are treated with respect, and their health, safety and basic human rights are protected and promoted. We have a code of conduct which sets out the standards of behaviour all employees are expected to follow and provides useful guidance to help employees when it comes to making the right decision. The code was introduced in 2012 and is updated and reissued on a periodic basis. A copy of the code is included in the induction pack for new joiners and is available on the Group's intranet and corporate website.

The code is made up of 10 key elements including: acting honestly and complying with the law; competing fairly; food safety; and treating people fairly. We also have a confidential whistleblowing call line to enable anyone who comes into contact with our business (whether colleagues, contractors, agency workers, customers, suppliers or distributors) to raise any concerns they have that cannot be dealt with through the normal channels. Calls logged with the whistleblowing service are followed up promptly by the appropriate person within the business and the issues raised and management's response are reviewed by the Audit Committee. The Audit Committee also reviews the whistleblowing service annually and arranges for it to be refreshed and communicated to sites.

Anti-corruption and anti-bribery

The Group has in place an Anti-Corruption Policy and a code of conduct for third parties which provides guidance for complying with anti-corruption laws. This is provided to graded managers and those who operate in commercial roles, with formal training provided where appropriate. This covers, amongst other things, guidance on dealings with third parties, facilitation payments, gifts and hospitality and charitable and political donations. We do not tolerate any form of bribery or corruption and expect all colleagues, business partners, suppliers, contractors, joint venture partners, customers, agents, distributors and other representatives to act in accordance with all laws and applicable Group policies.

Food safety and quality

At Premier Foods we operate a Food Safety and Quality System based around the British Retail Consortium Global Food Standard version 7, with all sites (excluding Charnwood Foods) audited by an independent accreditation body to this standard. Our Charnwood Foods business operates to a specific customer Quality Management System.

We also have an internal quality compliance team focused on controls and standards across all manufacturing sites, co-manufacturers and raw material suppliers. In total, 116 audits have been carried out in 2017/18, to assure standards within our supply chain. In addition, we have had numerous customer audits and visits across our manufacturing facilities to confirm our standards are in compliance with customer requirements.

A particular focus for our business is the authenticity of the materials we purchase. We have a surveillance programme in place to verify the quality and authenticity of ingredients where we have carried out in excess of 1,000 tests.

We have also been heavily involved in the establishment of the Food Industry Intelligence Network where we sit on the Governing Board and chair their Technical Steering Group. This is a UK food industry initiative to share intelligence and data on food authenticity following the horse meat scandal in 2013. In addition, to support our food safety and quality standards, Premier Foods has an internationally recognised laboratory facility carrying out research and analysis of food ingredients and packaging, employing around 48 scientists and performing approximately 100,000 tests per annum.

Risk management

Our approach

As with any business we face risks and uncertainties. We believe that effective risk management supports the successful delivery of our strategic objectives. We have an established risk management framework to identify, evaluate, mitigate and monitor the risks we face as a business. Our risk management framework incorporates both a top-down approach to identify our principal risks and bottom-up approach to identify our operational risks. The Executive Leadership Team (ELT) perform a robust assessment of the principal risks on a periodic basis and with the Audit Committee at least twice a year. The review includes an assessment of the movement in the risks, the strength of the controls relied on and the status of mitigating actions. The principles of risk management have also been embedded into the day to day operations of the business units and corporate functions.

The long-term viability statement on page 29 provides a broader assessment of the longer term prospects of the Group after consideration of the principal risks and availability of funding.

Top down

RISK MANAGEMENT FRAMEWORK

Board of Directors
Assess principal risks and set risk appetite. Overall responsibility for maintaining sound risk management and internal controls

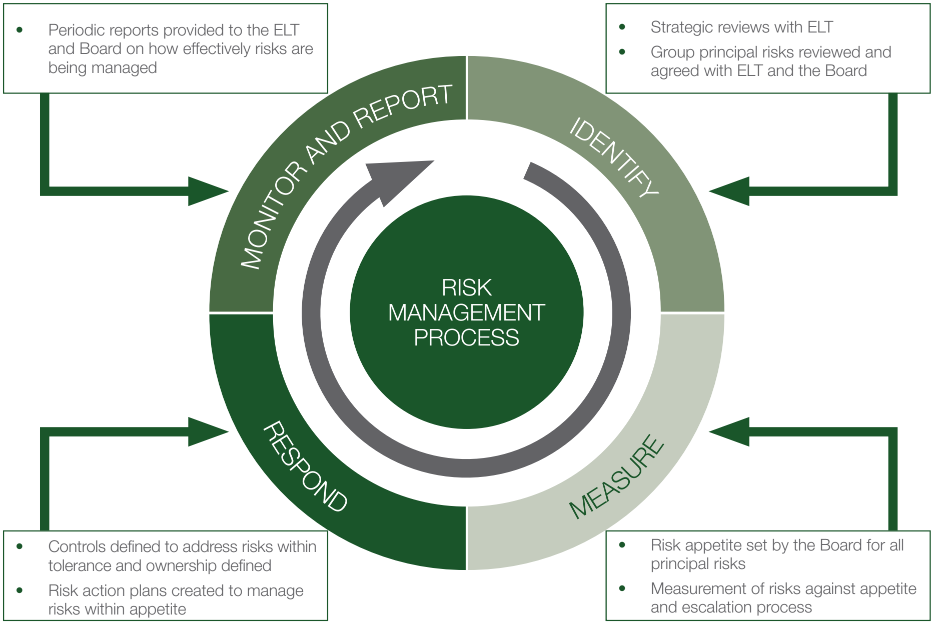
Audit Committee
Set risk management framework. Assess effectiveness of the Group's risk framework and internal controls

Executive Leadership Team
Implement risk management framework. Assess effectiveness of the Group's risk framework and internal controls

Risk & Internal Audit
Test internal controls and co-ordinate risk management activity, provide support to business risk owners and report risk information across the Group

Operational Management
Own and review operational risks, operate controls and implement mitigation actions

Bottom up



Principal risks and uncertainties

The Board have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Outlined in this report are the Group's principal risks (gross) and uncertainties, and the key mitigating activities in place to address them. These are the principal risks of the Group as a whole and are not in any order of priority. We are exposed to a variety of other risks but we report those we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation. They are grouped into external risks, which may occur in the markets or environment in which we operate, and operational risks, which are related to internal activity linked to our own operations and internal controls. The 'Changes since 2016/17' highlight changes in the profile of our principal risks or describe our experience and activity over the last year.

Risk appetite

Our approach is to minimise exposure to reputational, financial and operational risk, while accepting and recognising a risk/rewards trade-off in pursuit of our strategic and commercial objectives. As a food manufacturing company, with many well known brands, the integrity of our business is crucial and cannot be put at risk. Consequently, we have a zero tolerance for risks relating to Occupational Health & Safety and food safety. We operate in a challenging and highly competitive market place and as a result we recognise that strategic, commercial and investment risks will be required to seize opportunities and deliver results at pace. We are therefore prepared to make certain financial and operational investments in pursuit of growth objectives, accepting the risks that the anticipated benefits from these investments may not always be fully realised. Our acceptance of risk is subject to ensuring that potential benefits and risks are fully understood and sensible measures to mitigate those risks are established.

Risk management

How risk management links to our strategy

Drive revenue growth | Cost control & efficiency | Cash generation

1 Market and retailer actions

Link to strategy | **Risk trend**

Risk and potential impact As a primarily UK based company, our sales are concentrated with a relatively small number of major customers who operate in a highly competitive market. Actions taken by these retailers (for example changes in pricing and promotion strategies), may negatively impact on our financial performance and can also have an impact on the overall market for our products.

How we manage it

- We have strong relationships with the major retailers built on the strength of our brands, our expertise in our categories and shopper insight.
- We have a programme of continuous innovation rooted in customer insight and designed to build category growth for our customers and brands.
- We are growing our International business which reduces dependence on the UK market.

Changes since 2016/17

- Since last year, the UK Grocery market has returned to growth albeit the level of competition remains high.
- Consolidation of retailers and/or wholesalers continues in the market and a further consolidation is now proposed between two of our largest customers.

2 Brexit & macroeconomic environment

Link to strategy | **Risk trend**

Risk and potential impact

The strength of the UK economy can have an impact on demand for our products. While much uncertainty remains over the exact form of the UK's exit from the EU, a further devaluation of Sterling against the Euro would increase the Group's cost base, potentially affecting margins and hence funds available for investment. The Group is also exposed to cyclical inflation in soft commodities and other inputs to our business. A more detailed Brexit assessment is on page 29.

How we manage it

- We manage the impact of commodity price inflation and foreign exchange volatility through hedging activity and ongoing supplier risk management.
- A cross-functional committee headed by the CFO and Procurement and Central Operations Director has been put in place to manage the Group's readiness for Brexit. See page 29 for more details.

Changes since 2016/17

- The UK has agreed a draft withdrawal agreement with the EU with an exit date of March 2019 and a transition period (up to December 2020). If intrusive customs controls were introduced at UK ports following the end of the transition period, any resultant disruption would be likely to adversely affect our supply chain.
- It is becoming harder to recruit temporary labour, particularly for logistics and manufacturing operations.

3 Operational integrity

Link to strategy | **Risk trend**

Risk and potential impact

Delivery of our strategy depends on our ability to minimise operational disruption from issues with facilities, factory infrastructure as well as procurement and logistics functions. Supply chain weaknesses e.g. disruption due to unforeseen events and single supplier risks, may impact negatively on our reputation, financial performance and key customer relationships.

How we manage it

- We have a crisis management process in place and business continuity plans are reviewed and refreshed on an ongoing basis.
- Insurance coverage is in place to mitigate against the financial impact of material site issues.
- We have an on-going programme to consolidate our warehousing and distribution capability to increase our operational efficiency. There are close relationships at all levels of the business with our outsourced logistics provider.
- Procurement category plans are in place to mitigate against single supplier risk.
- We have robust quality management standards applied and rigorously monitored across our supply chain.

Changes since 2016/17

- The first phase of warehouse consolidation project experienced some implementation issues which impacted on customer service levels during 2017, which have since improved.
- The second phase of the programme is in progress and senior management are closely monitoring progress and performance; albeit there is no absolute guarantee that further challenges will not be encountered.

4 Technology

Link to strategy **NEW Risk trend**

Risk and potential impact

A successful cyber attack or other systems failure could result in us not being able to manufacture or deliver products, plan our supply chain, pay and receive money, or maintain proper financial control. This could a have major customer, financial, reputational and regulatory impact on our business.

How we manage it

- We use a range of techniques including firewalls, anti-virus software, and duplicated systems that are comparable to those used in peer companies.

Changes since 2016/17

- Organisations in all sectors are targeted by an increasing volume and sophistication of cyber attacks which in certain cases have caused major disruption to their factory operations and supply chains.
- During 2017/18 the audit committee formally reviewed IT security and where recommendations for improvement were made these are in hand.

5 Legal compliance

Link to strategy **Risk trend**

Risk and potential impact

Our business is subject to a number of legal and regulatory requirements and must continuously monitor new and emerging legislation in areas such as Health & Safety, listing rules, competition law, food safety, labelling and environmental standards. Failure to comply with such requirements may have a significant negative impact on our reputation and incur financial penalties.

How we manage it

- We have leading food industry processes in place to manage Health & Safety and food safety issues (including an ongoing programme of internal and external audits).
- We have dedicated Legal and Regulatory teams in place to monitor the laws and regulations to ensure compliance and defend against litigation where necessary.

Changes since 2016/17

- Other than in respect of GDPR, where we have taken a committed approach to compliance, there have been no significant changes to the legal and regulatory landscape and we continue to monitor compliance.

6 Product portfolio

Link to strategy **Risk trend**

Risk and potential impact

Demand for our products is subject to changes in consumer trends and government legislation. Furthermore, sales of many of the Group's products can be adversely affected by warm seasonal weather conditions. Failure to keep our product ranges contemporary and relevant to our consumers would lead to a diminishing consumer demand which will impact negatively on our reputation and financial performance.

How we manage it

- We have a programme of innovation, based on deep rooted consumer insights, to continuously modernise our portfolio of distinctly British brands to ensure they remain relevant to today's shoppers.

Changes since 2016/17

- A growing proportion of our sales are from new products and we look to build on this.
- Public Health England guidelines called for a 20% reduction in sugar which is a core ingredient in some of our products.
- In January 2018, the government announced its environmental strategy which includes a target to reduce the use of plastic in packaging.
- We remain on target to achieve reductions of up to 1,000 tonnes in sugar from our portfolio by the end of 2018.
- We have developed a strategy to reduce and recycle the plastic in our packaging.

Risk management

7 HR and employee risk

Link to strategy

Risk trend

Risk and potential impact

We may be unable to attract and retain the critical capabilities and skills needed in our business to deliver our strategy, business plan and projects.

How we manage it

- We continue to invest in colleague development and engagement initiatives on a focused basis.
- We have processes in place to attract talent into the business with the right capabilities and behaviours.
- We have succession plans in place to retain our internal talent pipeline.

Changes since 2016/17

- The restructuring of roles as part of our efforts to deliver cost savings in early 2017 was completed swiftly and the new business structure has stabilised.
- We successfully filled a significant number of key management vacancies through our internal talent pipeline and through direct sourcing.
- Reward and variable compensation schemes have been strengthened.
- We have invested in leadership development for our colleagues.

8 Strategy delivery

Link to strategy

Risk trend

Risk and potential impact

Our balanced strategy seeks to deliver revenue growth, cash generation and cost efficiency. The strategy focuses marketing investment behind key brands. Our strategy may take longer than expected to deliver results which may impact on our ability to grow shareholder value.

How we manage it

- Given the seasonal nature of many of our brands media investment is targeted in the periods of peak consumer demand and through the most cost effective channels.
- Our new and existing product development programmes are based on deep consumer insight and continue to make our product ranges more relevant to the ever changing lives of our consumers.
- Our strong strategic relationships with our key customers facilitate the creation and joint ownership of plans for mutual growth.

Changes since 2016/17

- Our financial results for 2017/18 demonstrate that we are delivering against our strategy and this is supported by our internal plans for 2018/19.
- As mentioned previously a key change is the increase in value generated by our product development programme which is growing and ahead of our strategic road map.
- Our collaboration initiatives with Nissin and Mondelēz International continue to be successful with strong consumer demand which continues to increase.

9 International expansion

Link to strategy

Risk trend

Risk and potential impact

Our plans to expand our international business are subject to global market forces; fluctuations in national economies and currency movements; societal and political changes; a range of consumer trends and evolving legislation. Failure to recognise and respond to any of these factors could directly impact on our future profitability and rate of growth.

How we manage it

- We carry out careful due diligence prior to entering a new market.
- We closely monitor current and forecast performance of our business and where required adapt our marketing approach.

Changes since 2016/17

- We have since renewed our licence with Mondelēz International which has given us access to a broader range of Cadbury products and geographies.
- Our focus is to continue building our presence in Australia and the USA and we are currently exploring opportunities to enter new markets.

10 Treasury and pensions

Link to strategy **Risk trend**

Risk and potential impact

We are the sponsoring employer of a number of large historical pension schemes and also have significant amounts of long-term debt, these items taken together are a substantial liability on the balance sheet. Tri-annual pension fund valuations, and hence requests for deficit repair contributions ("DRCs"), are heavily impacted by financial market conditions over which the Group has no control. Trustees could potentially request DRC's which are not compatible with the Group's ability to pay. Furthermore, our ability to manage our debt capital structure may be impacted by market trends which are outside of our control e.g. interest rate movements or volatility in the high yield debt markets.

How we manage it

- Our executive directors are actively engaged with the pension trustees on scheme funding and investment matters. The RHM pension scheme has a high degree of hedging.
- We have a strong relationship with our banking group and continue to review our debt capital structure and revolving credit facilities.

Changes since 2016/17

- During the year, the RHM pension scheme has reduced its investment risk.
- Our revolving credit facility has been extended from December 2020 to December 2022.

Brexit implications

The Board continues to keep the possible implications of Brexit for the Group's operations under review. A cross-functional team, led by two Executive Leadership Team members, is in place to manage the Group's readiness for Brexit. Since the Article 50 Notice having been served, there have been further announcements about the likely terms of the post-Brexit trade arrangements between the UK and the EU, as well as about any possible transitional arrangements (including the Irish Border) and time period.

Nevertheless, at this time there still remains significant uncertainty about the probable impact on the Group. Although we are a UK based business, we purchase a meaningful amount of our commodities from the EU which leaves us exposed to movements in Sterling and Euro quoted commodities. Our supply chain is also primarily UK based although we do have a seasonal labour workforce from EU countries in our Sweet Treats business. Depending on the arrangements agreed between the UK and the EU, the issues that could directly affect our operations, potentially causing us to incur additional cost, are likely to be:

1. The imposition of tariffs on finished goods and commodities traded between the UK and EU;
2. Potentially higher logistics and administration costs due to increased customs border checks; and
3. Potential delays at UK ports impacting supply of raw materials to our factories.

A further, indirect, issue that could affect our future performance would arise if the Brexit process caused significant revisions to macroeconomic performance in the UK, thus impacting on our performance in this market.

Long-term viability statement

The Board have determined that the most appropriate period over which to assess the Group's viability, in accordance with the UK Corporate Governance Code, is three years. This is consistent with the Group's business model which devolves operational decision-making to the businesses, each of which sets a strategic planning time horizon appropriate to its activities which are typically of three years duration.

The Board also considered the nature of the Group's activities and the degree to which the business has changed and evolved in the relatively short-term. The Board considered the Group's profitability, cash flows and key financial ratios over this period and the potential impact that the principal risks and uncertainties set out on pages 25 to 29 could have on the solvency or liquidity of the Group.

Sensitivity analysis was applied to these metrics and the projected cash flows were stress tested against a number of severe but plausible scenarios. As of 31 March 2018, £202.0m of committed borrowing facilities available to the Group were undrawn. The Board considered the level of performance that would cause the Group to breach its debt covenants (see note 17 to the financial statements) and a variety of factors that have the potential to reduce trading profit substantially. These included the rate and success of the Group's strategy; actions which could damage the Group's reputation for the long-term and macroeconomic influences such as fluctuations in world currency, commodity markets and the implications of the UK's withdrawal from the EU (Brexit).

The Board have considered the principal risks and uncertainties and the potential impact of these on the Group's profitability or available cash resource. In assessing the Group's viability, the Board also considered all of the severe but plausible scenarios simultaneously materialising and for a sustained period, in conjunction with mitigating actions such as reducing discretionary costs. The likelihood of the Group having insufficient resources to meet its financial obligations and remain within its covenants is unlikely under this analysis.

Based on this assessment, the Board confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2021.

Chairman's introduction

Dear shareholder,

We believe that good corporate governance is essential for building a successful and sustainable business in the long-term interests of shareholders. An effective governance framework is also designed to ensure accountability, fairness and transparency in the Group's relationships with all of its stakeholders whether customers, suppliers, employees, the government or the wider community.

Areas of focus in the year

Over the year the Board has reviewed and approved the Group's annual budget and three-year strategic plan. The Board also continued to keep under review strategic options which could potentially add value for shareholders and other stakeholders, and accelerate the delivery of the Board's strategic objectives. The Board has regularly reviewed performance against budget with the CEO, CFO and Managing Directors of the UK and International business units and received regular updates on consumer trends, new product developments and customer relations.

The Board received regular updates on shareholder communications and also reviewed the Group's approach to nutrition, healthier food options, sugar reduction, modern day slavery, gender pay and plastic packaging.

Compliance with the UK Governance Code 2016

The Board supports the principles laid down by the UK Governance Code 2016 (the Code) as issued by the Financial Reporting Council which applies to accounting periods beginning on or after 17 June 2016 (available at www.frc.org.uk). I am pleased to confirm that over the course of the year we have complied with all relevant provisions set out in the Code.

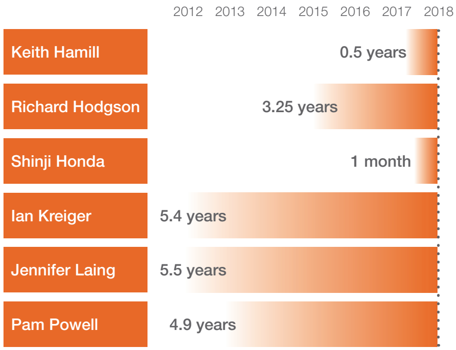
AGM

Our AGM will again be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU on Wednesday 18 July 2018 at 11.00 am and I look forward to seeing you then.

Keith Hamill
Non-executive Chairman
15 May 2018

Board appointments and tenure

David Beever, who had served as a non-executive director for nearly 10 years and as Chairman for five years, retired from the Board on 9 November 2017. Keith Hamill was appointed as a non-executive director on 1 October 2017 and as Chairman with effect from 9 November. Tsunao Kijima, who was appointed pursuant to our shareholder relationship agreement with Nissin Foods Holdings Company Limited ("Nissin"), retired as a non-executive director on 23 February 2018 and Shinji Honda was appointed in his place. In addition, on 28 March 2018 Daniel Wosner, who was appointed pursuant to our shareholder relationship agreement with Oasis Management Company Ltd ("Oasis"), stepped down as a non-executive director. The average appointment of our non-executive directors is 3.3 years. Tenure of individual appointments can be seen in the adjacent chart.



Average years service: 3.3 years

Board attendance

The Board held 10 scheduled Board meetings during the year and a number of other meetings and calls were convened for specific business. In addition there were three meetings of the Audit Committee, five meetings of the Remuneration Committee and two meetings of the Nomination Committee. All directors are expected to attend the AGM, scheduled Board meetings and relevant Committee meetings, unless they are prevented from doing so by prior commitments. Where a director is unable to attend a meeting they have the opportunity to read the papers and ask the Chairman to raise any comments. They are also updated on the key discussions and decisions which were taken at the meeting. Non-executive directors also have the opportunity to meet without management present.

Details of Board and Committee membership and attendance at scheduled Board and Committee meetings are set out in the table below. Jennifer Laing was unable to attend one Audit Committee meeting which was rescheduled at short notice and Tsunao Kijima was unable to attend one Board meeting. David Beever absented himself from meetings of the Nomination Committee which discussed the Chairman succession process. All directors attended the 2017 AGM.

Executive directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Gavin Darby	10/10	–	–	–
Alastair Murray	10/10	–	–	–
Non-executive directors				
Keith Hamill[1]	5/5	–	–	–
Richard Hodgson[2]	10/10	3/3	2/2	2/2
Shinji Honda[3]	1/1	–	–	–
Ian Krieger	10/10	3/3	5/5	2/2
Jennifer Laing	10/10	2/3	5/5	2/2
Pam Powell	10/10	3/3	5/5	2/2
Former directors				
David Beever[4]	6/6	–	2/2	1/1
Tsunao Kijima[5]	8/9	–	–	–
Daniel Wosner[6]	10/10	–	2/2	–

1. Appointed to the Board on 1 October 2017.
2. Appointed a member of the Remuneration Committee on 20 December 2017.
3. Appointed to the Board on 23 March 2018 as a representative of Nissin.
4. Retired as a director on 9 November 2017.
5. Retired as a director on 23 march 2018.
6. Retired as a director on 28 March 2018.

Board of directors

Keith Hamill Ⓝ Ⓝ

Non-Executive Chairman

Appointed to the Board: Joined the Board in October 2017 and appointed Chairman in November 2017.

Skills and experience: Keith is currently a non-executive director of Samsonite International S.A. and Chairman of Horsforth Holdings Ltd, a privately held investment holding company for a number of leisure businesses. Keith is a highly experienced Chairman and non-executive director and his previous appointments include Chairman of Travelodge, Tullet Prebon plc, Moss Bros Group plc, Collins Stewart plc and Heath Lambert and non-executive director of easyJet plc. Earlier in his career Keith was a partner at PwC and was Group Finance Director of Forte plc and WHSmith Group plc.

Gavin Darby

Chief Executive Officer

Appointed to the Board: February 2013.

Skills and experience: Gavin has a strong consumer goods pedigree and extensive senior leadership experience. He spent 15 years at the Coca-Cola Company in various senior positions, including Division President roles for North West Europe and Central Europe. Prior to joining Premier Foods, Gavin served as CEO of Cable & Wireless Worldwide plc, leading a successful turnaround of the business before negotiating its eventual sale to Vodafone plc. Previously he worked at Vodafone plc for nine years, during which time he served as UK CEO and CEO of Americas, Africa, India and China. Gavin is President of The Food and Drink Federation.

Alastair Murray

Chief Financial Officer

Appointed to the Board: September 2013.

Skills and experience: Prior to joining Premier Foods, Alastair spent 10 years at Dairy Crest Group plc as Group Finance Director, where he helped lead a significant restructuring to simplify the business, creatively addressing its pension deficit and reinforcing its position as an industry leader. Previously he was the Group Finance Director at The Body Shop International plc. Earlier in his career Alastair was a Divisional Finance Director at Dalgety plc and spent 13 years in various finance and operations roles at Unilever plc. He is a Fellow of the Chartered Institute of Management Accountants.

Richard Hodgson ⒶⓇⓃ

Non-Executive Director

Appointed to the Board: January 2015.

Skills and experience: Richard is Chief Executive Officer of Yo!Sushi and has over 20 years of experience in the food industry. He was previously Chief Executive Officer at Pizza Express, a role he held for four years until May 2017. In 2010 he was appointed Commercial Director at Morrisons, a newly created role, combining Trading and Marketing. Richard joined Waitrose in 2006 as Commercial Director and prior to that spent 10 years at Asda holding a number of senior roles culminating in his appointment as Marketing & Own Brand Director.

Shinji Honda

Non-Executive Director

Appointed to the Board: March 2018.

Skills and experience: Shinji is Chief Strategy Officer of Nissin Foods Holdings Company Ltd ("Nissin"), with responsibility for overseas operations, including Europe. Prior to joining Nissin in January 2018, Shinji spent his entire professional career at Takeda Pharmaceutical Company Limited ("Takeda"), a leading Japanese pharmaceutical company. He was named Member of the Board of Takeda in June 2013 and Corporate Strategy Officer in October 2014, having previously spent a significant amount of time overseeing Takeda's international operations where his responsibilities included President and CEO of Takeda North America.

Ian Krieger ⒶⓇⓃ Ⓐ

Senior Independent Director

Appointed to the Board: November 2012.

Skills and experience: Ian is the Senior Independent Director and Chairman of the Audit Committee at Safestore Holdings plc and a non-executive director and Chairman of the Audit Committee at Capital & Regional plc and Primary Health Properties plc. He is also Chairman of Anthony Nolan and a trustee and Chair of Finance at the Nuffield Trust. Ian is a Chartered Accountant and was a senior partner and Vice Chairman of Deloitte until his retirement in 2012.

Jennifer Laing ⒶⓇⓃ Ⓡ

Non-Executive Director

Appointed to the Board: October 2012.

Skills and experience: Jennifer has over 30 years' experience in brand building and communications including 16 years with Saatchi & Saatchi, twice as Chairman of the London office, and culminating in her role as Chairman and CEO of Saatchi & Saatchi North America. In the early 1990s she led her own advertising agency, Laing Henry, which was subsequently sold to Saatchi & Saatchi. Jennifer is Chairman of the IHG Foundation UK Trust.

Pam Powell ⒶⓇⓃ

Non-Executive Director

Appointed to the Board: May 2013.

Skills and experience: Pam has more than 20 years marketing experience developing some of the world's leading consumer brands. Most recently, she was the Group Strategy and Innovation Director for SAB Miller, one of the the world's leading brewers. Pam spent nine years at SAB Miller in senior management roles and prior to that held numerous marketing roles in the home and personal care sector during a 13 year career at Unilever plc, culminating in her role as global Vice-President of the Skin Care category. Pam is also a non-executive director at A.G. BARR p.l.c. and Cranswick plc.

Biographies for the Executive Leadership Team can be found on our website: www.premierfoods.co.uk/about/leadership

Ⓐ Audit Committee	Ⓐ Committee Chair
Ⓡ Remuneration Committee	Ⓡ Committee Chair
Ⓝ Nomination Committee	Ⓝ Committee Chair

Governance overview

Corporate governance

The UK Governance Code 2016 (the Code) states that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. The Board of directors is responsible for the governance of the Group. The responsibilities of the Board include setting the Group's strategic aims, providing the leadership to put them into effect, supervising the management of the business, monitoring performance and reporting to shareholders on their stewardship.

Board roles and responsibilities

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and promoting the highest standards of corporate governance. He chairs Board meetings ensuring timely and accurate distribution of information and full review and discussions of agenda items. The Senior Independent Director (SID) supports the Chairman and leads the non-executive directors in the oversight of the Chairman. He is also available to shareholders if they have concerns that cannot be raised through normal channels. The other non-executive directors (NEDs) bring a range of knowledge and experience to the Board, their role is to use their experience, objectivity and sound judgement to effectively scrutinise and challenge executive management's plans and performance and the development of the Group's vision, values and strategy.

The CEO is responsible for the day-to-day management of the Group working with the Executive Leadership Team ('ELT') to ensure the implementation of the agreed strategy. The role of the Company Secretary is to ensure that there is an effective flow of information between executive management and the Chairman and non-executive directors. The Company Secretary also advises the Board on legal and governance matters and supports the Board evaluation process and induction programme.

Board Committees and the ELT

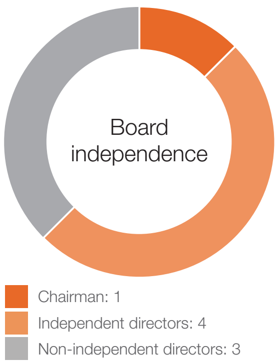
The Board delegates responsibility for the oversight of Board composition, financial performance, internal controls and remuneration strategy to its three Committees. Their terms of reference are available on the Company's website. Details of the work of the Nomination, Audit and Remuneration Committees are set out on pages 34, 35 and 56, respectively.

In addition the Board delegates day-to-day responsibility for managing the business to the ELT and its sub-committees. The ELT comprises the heads of the commercial business units, operations and key corporate functions. The ELT meets monthly and members regularly present to the Board.

To read more about the work of these Committees go to governance section of our website www.premierfoods.co.uk/about/governance

Board independence

Under the Code at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. Only independent non-executive directors are members of the Company's Board committees. The Chairman, who was considered independent on appointment, chairs the Nomination Committee but is not a member of the Audit or Remuneration Committees. Shinji Honda, who represents our largest shareholder, Nissin, is fully independent of management but is not considered independent.



Conflicts of interest

The Group has procedures in place for managing conflicts of interest and directors have continuing obligations to update the Board on any changes to these conflicts. This process includes relevant disclosure at the beginning of each Board meeting and also the Group's annual formal review of potential conflict situations which includes the use of a questionnaire.

Under our Relationship Agreement with Nissin they are entitled to nominate an individual for appointment to the Board so long as they retain an interest in shares in the Company representing 15% of issued share capital. On 28 March 2018 Oasis served notice to terminate their relationship agreement with the Company and Daniel Wosner, who had been appointed as a non-executive director pursuant to the agreement, retired from the Board. During the period to 31 March 2018 no other director had a material interest at any time in any contract of significance with the Company or Group other than their service contract.

Induction

All directors receive a tailored induction on joining the Board covering their duties and responsibilities as directors. Non-executive directors also receive a full briefing document on all key areas of the Group's business and they may request further information as they consider necessary. A typical non-executive director induction would include meetings with the ELT and key management, site visits and an induction and governance pack.

Board information

The main source of information is via the Board pack which is designed to keep directors up-to-date with all material business developments in advance of Board meetings. In addition, training on specific issues is provided as and when required. Non-executive directors also meet with senior management outside of Board meetings to discuss specific areas of interest in more detail, e.g. brand and marketing plans, customer strategy and pension investment strategy. The Board pack generally contains the following standing items: CEO introduction; H&S and employee issues; Commercial updates; New product development; Customer service levels; Operations; Strategic projects; Capital expenditure; CFO report; Legal report; Investor Relations; and Treasury Report.

Board and Committee evaluation

An externally facilitated board effectiveness review was undertaken by Springboard Associates Limited (an independent consultancy firm with no other connection to the Group) in the 2016/17 financial period. As a consequence, the evaluation for 2017/18 was conducted internally. The process was led by the Chairman supported by the Company Secretary. The review was undertaken in the form of a questionnaire which covered: strategy; performance; risk management; Board governance and culture; Board process, information and support; and committee performance.

The responses were collated and reviewed with the Chairman and a report was discussed with the Board in May 2018, together with an update on progress against the 2016/17 action plan.

2017/18 action plan

Strategy – It was agreed the Board would continue to review the Group's long-term strategy to identify opportunities to accelerate leverage reduction and enhance shareholder value.

Commercial – Long-term category growth plans would be reviewed as part of the strategic plan.

Succession planning – An additional Nomination Committee meeting would be scheduled to review succession planning for the senior management team.

Review of non-executive director performance

Over the course of the year, the Chairman reviewed the contribution and performance of the independent non-executive directors and this was considered as part of the Board evaluation process. Following this review it was agreed that the Board had an appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively.

The second term of appointment for Ian Krieger and Jennifer Laing are due to expire at the AGM in July 2018. The Nomination Committee considered Ian Krieger's contribution as Senior Independent Director and Audit Committee Chair and Jennifer Laing's contribution as Remuneration Committee Chair. It was agreed that due to their experience and commitment to their roles it would be appropriate for them to be re-appointed for a further three-year term ending at the Company's AGM in 2021, following which they will both have served over eight years.

Consequently, the Nomination Committee recommended the re-election (or election) of all directors at the 2018 AGM.

Assessment of Chairman's performance

As part of the annual Board evaluation process, Ian Krieger, the Senior Independent Director, led a review of the Chairman's performance. A meeting was held in May 2018 with the other independent non-executive directors, without the Chairman being present. The review focused on the relationship between the Chairman and the CEO, the overall leadership of the Board, the governance process, the conduct of Board meetings and the quality of debate. In addition, the Chairman's relationship with major shareholders and his understanding of their priorities was discussed. A summary of the key findings was discussed at a subsequent meeting between the SID and the Chairman. The review concluded that Keith Hamill was bedding into the role well and performing a highly effective role as Chairman. It was also noted that the Chairman had no other significant external commitments and was able to dedicate sufficient time to the role.

Shareholders and other stakeholders

Shareholders

An important role of the Board is to represent and promote the interests of its shareholders as well as being accountable to them for the performance and activities of the Group.

The Board believes it is very important to engage with its shareholders and does this in a number of ways through presentations, conference calls, investor road shows, face-to-face meetings and the AGM. Following the announcement of the Group's half year and year end results, presentations are made to analysts, banks and major shareholders to update them on the progress the Group has made towards its goals and invite them to ask questions. The Group also hosts a conference call for investors and analysts following the announcement of its Q1 and Q3 trading updates. An Investor Relations report is prepared for each Board meeting to update the directors on feedback from shareholders and analysts and changes in the shareholder register. Currently around six equity research analysts publish research on the Group. Copies of press releases, investor presentations, webcasts, conference calls and fact sheets are available on the Group's website.

In addition, Investor Days are held periodically which provide investors and analysts with a more detailed insight into the business.

The Chairman, Senior Independent Director and Remuneration Committee Chair also hold meetings with shareholders when appropriate to discuss governance and remuneration issues.

The main channels of communication with private shareholders are via the annual report, our website and the AGM. The AGM provides the Board with an opportunity to meet and speak with private shareholders to answer their questions. Directors meet with shareholders both before and after the meeting.

Other stakeholders

Bondholders

Management hold conference calls with holders of the Group's Senior Secured Notes following the release of half year and full year results. Additionally, management attend bond investor conferences at least twice a year.

Pensions

Premier management attend the Trustee and Investment Committee meetings for each of the principal pension schemes, at which funding and investment matters are monitored and discussed. The Company also regularly reports on the Group's trading performance. During the year the Company and Trustees reviewed the investment risk profile of the schemes and agreed certain changes that maintained the expected return on assets but reduced the overall level of risk within the investment strategies.

Banks

Regular updates are provided to the Group's current banking syndicate on the Group's financial performance.

Nomination Committee report

Dear shareholder,

On behalf of your Board, I am pleased to present the Nomination Committee report for the period ended 31 March 2018. The Committee is responsible for:

- considering the size, structure and composition of the Board;
- leading the formal, rigorous and transparent process for the appointment of directors;
- making appointment recommendations so as to maintain an appropriate balance of skills, knowledge and experience on the Board; and
- ensuring a formal and rigorous Board and Committee evaluation is undertaken on an annual basis.

The Committee also reviews the succession requirements of the Board and senior management and makes recommendations to the Board as appropriate. Only independent non-executives are members of the Committee, details of the Committee's membership and meeting attendance are set out on pages 30 and 31.

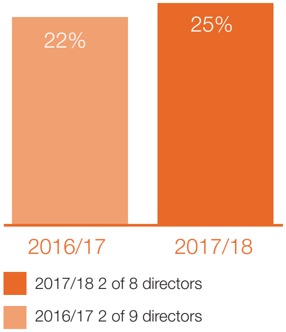
Board evaluation

Details of the internal Board and Committee evaluation that was carried out in the period and the review of non-executive performance is set out on page 33. Having considered the results of the evaluation the Committee has confirmed that all directors should be recommended for re-election (or election in the case of Shinji Honda and myself).

Board balance and diversity

When selecting a new director the Board considers a broad range of skills, backgrounds and experience reflecting both the type of industry and the geographical locations in which we operate. In 2011 the Board adopted a policy to have at least two female Board directors by 2015 and this target was successfully achieved in May 2013.

Board gender diversity (% female as at 31 March 2018)



The Committee is also mindful of the benefits that an inclusive culture can bring to our organisation as a whole. Further information on our approach to diversity and the levels of diversity across the Group can be found on page 23.

Induction

Following my appointment as Chairman in November 2017 I have undertaken an extensive induction programme which has included meetings with key shareholders and advisers. Meetings have also been held with members of the ELT and other senior management in the business, together with a number of visits to key manufacturing sites across the Group.

In addition, I have met with each of the independent non-executive directors and considered the balance of skills and experience of the Board. I believe the current Board has a broad range of retail, marketing, commercial and financial experience which is appropriate for the size and complexity of the Group.

Keith Hamill
Nomination Committee Chairman
15 May 2018

Appointment process for new Chairman

Following David Beever's decision to step down as Chairman in 2017, I was appointed to lead the external search for his successor along with the other independent non-executive directors. In line with best practice, Mr Beever took no part in the succession process.

Following a panel review, Russell Reynolds (who are periodically used by the Group for executive recruitment) were engaged to assist and advise Premier Foods on the search and appointment process. Following consultation with the Nomination Committee and the Chief Executive, Russell Reynolds designed a clear specification for the desired candidate. An initial list was drawn up with candidates from a range of backgrounds. Members of the Nomination Committee met to review the list and identified a short list to take forward to the next stage. Following the completion of a detailed review process Keith Hamill was identified as the preferred candidate due to his strong background in consumer facing businesses and his significant experience as a chairman and non-executive director at a wide range of UK, international and private equity businesses.

The Committee assessed that Keith had the appropriate credentials and experience to successfully meet the demands of the role and, following a review of his other external commitments, were confident that he had the capacity to discharge his responsibilities as Chairman effectively.

Ian Krieger
Senior Independent Director

Audit Committee report

Dear shareholder,

On behalf of your Board, I am pleased to present the Audit Committee report for the period ended 31 March 2018. The Committee has responsibility, on behalf of the Board, for reviewing the effectiveness of the Group's financial reporting systems and the internal control policies and procedures for the identification, assessment and reporting of risk.

The Committee also keeps under review the relationship with the external auditor, including the terms of their engagement and fees, their independence and expertise, resources and qualification, and the effectiveness of the audit process. The Committee met with the internal and external auditor on three occasions in the year without the presence of management.

I was appointed as Audit Committee Chairman in April 2013 following my retirement as a senior partner of Deloitte in 2012. All members of the Committee are independent non-executives, with a broad range of FMCG, commercial and marketing experience relevant to the Group's business. Details of Committee membership, their qualifications and meeting attendance are set out on pages 30 and 31. In addition to the Committee members the CEO, CFO, Chairman, Director of Internal Audit and Risk and external audit lead partner are regularly invited to the Committee's meetings.

Areas of review

During the financial period the Committee:

- monitored financial reporting, including the annual report and the full year, half year and quarterly results announcements;
- considered the going concern and viability statements for the Group which can be found on pages 38 and 29, respectively;
- conducted a review of the external auditor's effectiveness;
- received regular reports from the internal audit function, ensured it was adequately resourced, monitored its activities and effectiveness, and agreed the annual internal audit plan;
- conducted a bi-annual review of key risks facing the business and assessed the Group's mitigation plans;
- reviewed the Group's IT systems and controls, cyber security, the potential impact of Brexit and the procedures for compliance with the European General Data Protection Regulation which comes into force in May 2018;
- reviewed and approved the Group's Tax Strategy for publishing on the Group's website; and
- reviewed calls received from the whistle blowing helpline and approved an update to the Group's Speaking Up policy.

Auditor appointment, independence and non-audit services

KPMG were appointed as external auditor in September 2015 following a comprehensive tender process. In November 2016 the Audit Committee reviewed and approved a new policy on external auditor independence and non-audit services. This brought the Group's policy into line with the EU Regulation and Statutory Audit Directive which came into force in June 2016 and encompassed audit firm rotation and restrictions on non-audit services. The restrictions on non-audit services will not fully impact the Group until the financial period 2020/21. In the intervening period non-audit spend up to £100k must be approved by the Audit Committee Chairman and spend in excess of £100k requires approval by the full Audit Committee.

A copy of the policy is available to view on the Group's website: www.premierfoods.co.uk/about/governance.

In accordance with our Auditor Independence Policy the Committee has continued to review the level of non-audit fees with management during the year. The Committee also received an update from KPMG's lead partner on the internal controls which they employ to safeguard their independence, integrity and objectivity. Non-audit fees for the period were £115,000 (2016/17: £20,221) representing 22% of the audit fee. The work undertaken related to assurance work performed by KPMG in respect of the issue of a new five year Senior Secured floating rate note during the first quarter of 2017/18.

Committee effectiveness

An internal Board and Committee evaluation was carried out in the period (see page 33).

External audit effectiveness

A review of the external auditor's effectiveness was carried out in November 2017. This was conducted by way of a questionnaire sent to the Audit Committee members and management involved in the audit process, the recommendations from the post audit debrief meeting between the Finance team and KPMG and an update on independence provided by KPMG. The review focused on the scope of the audit, the KPMG team, the audit work performed, the governance process and fees. The responses of the Audit Committee and management were again very positive, reflecting the view that KPMG continued to provide a strong audit team who had delivered an effective, efficient and high quality audit. A number of areas for development were identified and these were incorporated into the Audit plan for the period ended 31 March 2018. The Committee therefore concluded that KPMG provide an effective audit service. KPMG's procedures for ensuring compliance with quality control standards, maintaining independence, integrity and objectivity were also reviewed and no matters were identified which might impair the auditor's independence and objectivity.

Risk management

Details of our risk management process are set out in the risk management section on pages 25 to 29.

Internal controls

In accordance with the FRC guidance on audit committees, an annual review of internal controls is conducted. The Board has delegated authority to the Audit Committee to regularly monitor internal controls and conduct the full annual review. This review covers all material controls such as financial, operational and compliance, and also the overall risk management system in place throughout the year under review up to the date of this annual report. The Committee reports the results of this review to the Board for discussion and, when necessary, agreement on the actions required to address any material

Audit Committee report

control weaknesses. The Committee confirms that it has not been advised of any failings or breaches which it considers to be significant during the financial period and found the internal controls to be effective.

Internal audit effectiveness

The effectiveness of the Group's internal audit function is reviewed on an annual basis. The review was conducted with the Committee and the ELT and covered the function's independence, resource, the scope of the annual audit plan, the reports issued and the identification of issues. The Committee concluded that the internal audit function remained effective.

Fair, balanced and understandable

The Board requested that the Audit Committee confirm whether the annual report and accounts taken as a whole were fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Audit Committee recommended that the Board make this statement which is set out on page 39.

In making this recommendation the Committee considered the process for preparing the annual report which included regular cross functional reviews from the teams responsible for preparing the different sections of the report, senior management review and verification of the factual contents. It also considered the balance and consistency of information, the disclosure of risk and the key messages presented in the report.

Audit Quality Review (AQR)

The Financial Reporting Council's AQR team monitors the quality of audit work of the major UK audit firms through inspections of a sample of audits and related procedures at individual audit firms. During the period, the 2016/17 external audit of the Group by KPMG was reviewed by the AQR. The Committee and KPMG have discussed the review findings, which noted a small number of recommendations for improvement and also areas of high standard. The recommendations were incorporated into the 2017/18 audit work. The Committee do not consider any of the findings to have a significant impact on KPMG's audit approach.

Significant issues in relation to the financial statements

The Committee considered the following significant issues in relation to the financial statements with management and the internal and external auditor during the year:

Commercial arrangements

Commercial payments to customers in the form of rebates and discounts represent significant balances in the income statement and balance sheet. Calculations of these balances require management assumptions and estimates. In the previous financial period the Group introduced an integrated SAP solution to its commercial functions which helped reduce complexity and improve management of trade promotions. The Committee reviewed the assumptions and estimates and the level of accruals and provisions in detail. The Committee also reviewed management's internal processes and controls. During the financial period internal audit conducted a review of our Accounts Receivable processes and controls which included certain areas of commercial arrangements. Further information is set out in note 3.3 on page 73.

Carrying value of goodwill and brands

Goodwill and brands represent a significant item on the balance sheet and their valuation is based on future business plans whose outcome is uncertain. The value of goodwill is reviewed annually by management and the Committee and brands are reviewed where there is an indicator of impairment. The impairment testing for goodwill and brands is based on a number of key assumptions which relies on management judgement.

The brands, trademarks and licences are deemed to be individual CGUs. For the purpose of goodwill, the Group has four CGUs – Grocery, Sweet Treats, International and Knighton. The Committee reviewed the results of goodwill impairment testing of the CGUs and the review of the carrying value of certain of the Group's brands. The entire carrying value of goodwill in the Sweet Treats CGU was written off in a prior financial period and the International business has no goodwill or intangible assets. The results of the impairment testing included management's assumptions in respect of cash flows, long-term growth rates and discount rates and also estimate of fair value less costs to sell of brands. The Committee also considered sensitivities to changes in assumptions and related disclosure as required by IAS 36. This year's review concluded that a £2.2m impairment of one of the Group's brands was required. A goodwill impairment of £4.3m was recognised during the year relating to Knighton. Further information is set out in notes 11 and 12 on pages 82 and 83.

Defined benefit pension plans

The Group operates a number of defined benefit schemes. The main schemes are closed to future accrual but hold substantial assets and liabilities. Valuation of the scheme liabilities is based on a number of assumptions such as inflation, discount rates and mortality rates, each of which could have a material impact on the valuation under IAS 19 included in the balance sheet. The Group's RHM Pension Scheme also holds assets for which quoted prices are not available. As at 31 March 2018 the RHM Pension Schemes reported a surplus of £754.0m and the Premier Schemes reported a deficit of £437.0m. (2016/17: RHM Pension Schemes surplus of £593.9m; Premier Schemes deficit of £489.1m), largely driven by the increase in the discount rate which is based on corporate bond yields and reduction in inflation assumptions. The Committee reviewed the basis for management's assumptions and the movements in the IAS 19 valuation in detail over the year. The financial assumptions were based on the same methodology as last year. Further information is set out in note 20 on pages 95 to 101.

Ian Krieger
Audit Committee Chairman
15 May 2018

Other statutory information

Directors' report

The directors' report consists of pages 02 to 56 and has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and the liabilities of directors in connection with that report shall be subject to the limitations and restrictions provided by such law. In the directors' report references to the Company or Group are references to Premier Foods plc and its subsidiaries.

Profit and dividends

The profit before tax on continuing operations for the financial year was £20.9m (2016/17: £12.0m). The directors do not recommend the payment of a dividend for the period ended 31 March 2018 (2016/17: £nil). Under the terms of our current financing arrangements dividends are permitted once the Group's Net debt to EBITDA ratio falls below 3.0x. The Group is committed to deleveraging the business and reducing the Net debt to EBITDA ratio (see our Strategy on page 06).

Research and development

Applied research and development work continues to be directed towards the introduction of new and improved products; the application of new technology to reduce unit and operating costs; and to improve service to customers. Total research and development spend (including capitalised development costs) was £9.2m (2016/17: £13.6m).

Share capital information

The Company's issued share capital as at 31 March 2018 comprised 840,622,217 ordinary shares of 10p each. During the period 8,151,539 ordinary shares were allotted to satisfy the vesting of awards made to the management population under the Company's Restricted Stock Plan and the vesting of awards made to colleagues under the all-employee Sharesave Plan, details of the movements can be found in note 22 on page 102. All of the ordinary shares rank equally with respect to voting rights and the rights to receive dividends and distributions on a winding up. In accordance with the Articles there are no restrictions on share transfers, limitations on the holding of any class of shares or any requirement for prior approval of any transfer with the exception of certain officers and employees who are required to seek prior approval to deal in the shares of the Company and are prohibited from any such dealing during certain periods under the requirements of the EU Market Abuse Regulation.

Colleagues who hold shares under the Premier Foods plc Share Incentive Plan may instruct the trustee to vote on their behalf in respect of any general meeting.

The directors were granted authority at the 2017 AGM to allot relevant securities representing approximately one-third of the Company's issued share capital. This authority will apply until the conclusion of the 2018 AGM. A similar authority will be sought from shareholders at the 2018 AGM. The Company does not currently have authority to purchase its own shares and no such authority is being sought at the 2018 AGM.

Significant contracts – change of control

The Company has various borrowing arrangements including a revolving credit facility and Senior Secured notes. These arrangements include customary provisions that may require any outstanding borrowings to be repaid and any outstanding notes to be repurchased upon a change of control of the Company. In addition, the *Cadbury* licensing agreement also includes a change of control provision, which could result in the agreement being terminated or renegotiated if the Company were to undergo a change of control in certain limited circumstances.

The Company's executive and all-employee share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control in accordance with the plan rules. Details of directors' service contracts and the provisions relating to a change of control are set out on page 44.

Articles of association

The Company's Articles may only be amended by a special resolution at a general meeting. The Articles are available on our website. Subject to the provisions of the statutes, the Company's articles and any directions given by special resolution the directors may exercise all the powers of the Company.

Substantial shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 15 May 2018, the Company has been notified of the following interests of 3% or more in the Company:

Shareholder	Ordinary shares[1]	% of share capital[2]
Nissin Foods Holdings Co., Ltd.	164,486,846	19.57
Oasis Management Company Ltd[3]	75,752,885	9.01
Paulson & Co. Inc.[3]	62,107,111	7.39
Brandes Investment Partners, L.P.	43,026,105	5.12
Bank of America Corporation	42,162,265	5.02
Standard Life Aberdeen plc	39,171,378	4.66

1. Number of shares held at date of notification.
2. Per cent of share capital as at 31 March 2018.
3. Held in the form of shares and as total return swap.

Powers of directors

The powers of the directors are set out in the Company's Articles of Association and may be amended by way of a special resolution of the Company.

Director appointments

The Board has the power to appoint one or more additional directors. Under the Articles any such director holds office until the next AGM when they are eligible for election. Shareholders may appoint, re-appoint or remove, directors by an ordinary resolution. In accordance with the Code all our directors offer themselves for re-election every year. In addition, the appointment of Shinji Honda is subject to the terms of a shareholder relationship agreement (see Conflicts of interest on page 32).

Other statutory information

Directors' and officers' liability insurance

This insurance covers the directors and officers against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of the Company and in respect of damages resulting from the unsuccessful defence of any proceedings.

Access to external advice

Directors are allowed to take independent professional advice in the course of their duties. In addition, all directors have access to the advice and services of the Company Secretary. If any director were to have a concern over any unresolved business issue following professional advice, they are entitled to require the Company Secretary to minute that concern. Should they later resign over a concern, non-executive directors are asked to provide a written statement to the Chairman for circulation to the Board.

Greenhouse gas (GHG) emissions reporting

In the table below we have detailed our scope 1 & 2 GHG emissions for the period 1 January 2016 to 31 December 2017 from a 2011 baseline year. While the financial year end of the Company has changed from 31 December, the regulations permit environmental reporting for a period outside of a company's financial year. The intensity increases over the 2011 base year have arisen from the divestment of low energy use/high production tonnage sites, such as flour mills. The figures for 2016 and 2017 include the performance of our Knighton business. The 2016 figures differ from those reported in the 2016/17 annual report, as they included the Rugby distribution centre. This was divested in April 2017, so the 2016 figures have been rebased to take this into account and give an accurate comparison for 2017.

Methodology

Premier Foods' GHG emissions were assessed and calculated using internal data and emission factors from Defra's Conversion Factors for Company Reporting 2017 for converting energy usage to carbon dioxide equivalent (CO_2(e)) emissions. We have followed the methodology in the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The analysis has used an operational control approach. This assessment takes into account all of the emission sources required under the Companies Act 2006. The emissions data relates to all production sites within the control of the Group during the period.

Employment of people with disabilities

It is our policy to give full and fair consideration to applications for employment received from people with disabilities, having regard to their particular aptitudes and abilities. Wherever possible we will continue the employment of, and arrange appropriate training for, employees who have become disabled during the period of their employment. We provide the same opportunities for training, career development and promotion for people with disabilities as for other colleagues.

Political donations

The Company's policy is not to make political donations and no such donations were made in the financial period.

Financial risk management

Details relating to financial risk management in relation to the use of financial instruments by the Group can be found in note 18 of the financial statements.

Going concern and viability statement

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis in preparing the consolidated financial statements. Further information on the basis of preparation is set out in note 2.1 on page 68. The Company's Viability Statement is set out in the section on risk management on page 29.

Related parties

Details on related parties can be found in note 27 of the financial statements.

Post balance sheet events

Details relating to subsequent events can be found in note 28 of the financial statements.

GHG Emissions	2017	2016	Base Year (2011)
Scope 1	**44,157.39**	45,030.02	158,164.71
Scope 2	**31,792.58**	37,429.23	133,046.62
Total annual net emissions	**75,949.97**	82,459.25	291,211.33
Overall Intensity (kgCO_2e per tonne of product)	**219.69**	231.11	143.3

Statement of directors' responsibilities

in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Independent auditor

KPMG LLP ('KPMG') have indicated their willingness to be re-appointed as auditor of the Company. Upon recommendation of the Audit Committee the re-appointment of KPMG and the setting of their remuneration will be proposed at the 2018 AGM.

Auditor and the disclosure of information to the auditor

The Companies Act requires directors to provide the Company's auditor with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report. The directors, having made appropriate enquiries, confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The directors' report was approved by the Board on 15 May 2018 and signed on its behalf by:

Andrew McDonald
Company Secretary
company.secretary@premierfoods.co.uk

Directors' Remuneration report

Committee Chairman's Letter

Dear shareholder,

On behalf of your Board, I am pleased to present the Directors' Remuneration report for the period ended 31 March 2018.

2017 Directors' Remuneration Policy

At the AGM last year we proposed a new three year Remuneration Policy and this received strong shareholder approval, with 98.8% of votes cast in favour.

Performance outcome for 2017/18

The Committee reviewed the CEO's and CFO's performance over the financial period and assessed the extent to which their annual bonus targets had been achieved. Following a difficult trading period in 2016/17 the Group delivered a strong performance in 2017/18 with revenue and Trading profit up 3.6% and 5.1%, both ahead of market expectation. Net debt, a key metric for the Group, reduced significantly from £523.2m to £496.4m. In addition, a significant proportion of the executive directors' strategic and personal objectives were also achieved. Following the review the Committee assessed that, based on performance over the year, a bonus of 59.5% of opportunity for Mr Darby and of 59.0% of opportunity for Mr Murray was appropriate. However, for reasons of affordability, it was agreed between the Committee and the executive directors, that the bonus payments to both Mr Darby and Mr Murray would be capped at 35% of opportunity. Accordingly, a bonus of £367,500 was approved for Mr Darby and a bonus of £152,954 was approved for Mr Murray. Full details of the assessment are set out on pages 48 to 50.

Following the approval of the 2017 Remuneration Policy, one third of any annual bonus payment to executive directors will be made in the form of shares deferred for a three year period, details of the Deferred Bonus Plan are set out on page 51.

The Committee assessed the performance conditions for the 2015 LTIP award and, following this assessment, the award has lapsed in full.

Arrangements for the coming period

The targets for the annual bonus and LTIP awards for 2018/19 are aligned with the Group's strategic priorities and this is illustrated in the table below. Further details of the measures for 2018/19 are provided on page 51.

The Committee approved a salary increase of 2.0% for colleagues not involved in collective bargaining for 2018/19 and the same salary increase was approved for the CEO and CFO. Gavin Darby has again elected not to take a salary increase and therefore his salary remains unchanged since his appointment in 2013.

I look forward to your continuing support.

Jennifer Laing
Remuneration Committee Chairman
15 May 2018

Overview of remuneration and link to strategy

The focus of our remuneration strategy is on rewarding performance – the majority of executive remuneration (approximately 70% at maximum) is variable and only payable if demanding performance targets are met. The performance measures are firmly linked to our strategy and ultimately aligned with shareholders' interests to deliver earnings growth and improved shareholder value in the medium-term. The majority of variable pay is payable in the form of shares.

The following table summarises the performance measures for executive directors' annual bonus and LTIP arrangements and how they are aligned with our strategy (see our business model and strategy on pages 04 to 07).

Annual Bonus Measures	Objective	Strategic priority
Trading profit	Profitable growth/increase in earnings	• Driving revenue growth
Strategic objectives focused on commercial opportunities		• International expansion
		• Strategic partnerships
Net debt & cash management	Debt reduction	• Cash generation
		• Reducing our Net debt to EBITDA ratio to below 3.0x
Personal objectives	Developing stakeholder relationships	• Being a responsible and sustainable business

LTIP Measures	Objective	Strategic priority
Adjusted EPS	Profitable growth/increase in earnings	• Driving revenue growth
Relative TSR	Share price growth	• Delivering shareholder return over the medium term

Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM held on 20 July 2017 (98.8% of votes cast being in favour) and became effective from that date. The approved policy can be found in the 2016/17 annual report and on the Group's website. The text set out below is included to assist with the understanding of the Annual Report on Remuneration for the 52 weeks ended 31 March 2018 and has been updated to reflect 2017/18 pension limits and the current non-executive directors and the scenario charts on page 47 has been updated to reflect current remuneration levels. There are no proposals to amend the Directors' Remuneration Policy at the 2018 AGM.

Total remuneration is made up of fixed and performance-linked elements, with each element supporting different strategic objectives.

	Link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Provides an appropriate level of fixed income. Set at levels to attract and retain talented individuals with reference to the Committee's assessment of: • The specific needs of the Group by reference to the size and complexity of the business, acknowledging the Group is currently in a turnaround situation; • The specific experience, skills and responsibilities of the individual; and • The market rates for companies of comparable size and complexity and internal Company relativities.	Normally reviewed annually (currently with effect from 1 April) in conjunction with those of the wider workforce.	Salaries for the relevant year are detailed in the Annual Report on Remuneration. Whilst the Company does not have a cap on salaries, increases are normally expected to be in line with increases across the management grades, subject to particular circumstances such as a significant change in role, responsibilities or organisation. An explanation of differences in remuneration policy for executive directors compared with other employees is set out later in this Directors' Remuneration Policy.	Group performance is taken into consideration when determining an appropriate level of base salary increase for the Group as a whole and personal performance is taken into account when determining an appropriate level of base salary increase for the executive. **Performance period:** N/A.
Benefits	Help to recruit, retain and promote the efficient use of management time.	The Company typically provides the following benefits: • Company car or cash allowance. The Company provides an executive driver service, as and when appropriate, to allow the CEO to work while commuting to business appointments; • Private health insurance; • Life insurance; • Telecommunication services; • Professional memberships; • Allowance for personal tax and financial planning; and • Other ancillary benefits, including relocation expenses (as required).	There is currently no maximum level, however, the provision and level of allowances and benefits are considered appropriate and in line with market practice.	N/A. **Performance period:** N/A.
Pension	To offer market competitive levels of benefit and help to recruit and retain and to recognise long-term commitment to the Group.	Executive directors receive an allowance in lieu of pension provision which is subject to periodic review or may participate in the Group's defined contribution scheme on the same basis as all other new employees. Executive directors may also salary sacrifice additional amounts into this scheme but will not receive any additional contribution from the Group. Only basic pay is pensionable.	The maximum contribution of allowance for executive directors is 20% of basic salary. The current level of contribution or allowance for the current executive directors is as follows: • CEO: the allowance is 20% of basic salary. • CFO: the Company contributes 7.5% of basic pay up to an Earnings Cap (£154,200 for 2017/18, but increasing each April in line with the Retail Prices Index) and pays a salary supplement (£23,389 for 2017/18, which increases each April in line with the Retail Prices Index).	N/A. **Performance period:** N/A.

Directors' Remuneration report

	Link to strategy	Operation	Maximum opportunity	Performance measures
Annual Bonus	Designed to incentivise delivery of annual financial and operational goals and directly linked to delivery of the Group's strategy.	An annual bonus is earned based on performance against a number of performance measures which are linked to the Group's strategy. Maximum of two thirds of the bonus is paid in cash and a minimum of on third deferred into shares under the Premier Foods Deferred Bonus Plan ('DBP') which are released after three years subject to continued employment. The rules of the DBP contain a dividend equivalent provision enabling payments to be made (in cash or shares) at the time of vesting, in an amount equivalent to the dividends that would have been paid on the participant's vested shares between the date of grant of the relevant award and the date of vesting. Recovery provisions apply for the cash and share elements.	Maximum (as a percentage of salary): • CEO: 150% • CFO: 105%	Performance conditions are designed to promote the delivery of the Group's strategy and can be made up of a range of: • Financial targets (e.g. turnover, trading profit and cash flow) representing not less than 50% of the total bonus opportunity, subject to the delivery of a threshold level of trading profit; • Short to medium-term strategic targets including financial and non-financial Key Performance Indicators, subject to the delivery of a threshold level of profitability; and • Personal performance representing not more than 20% of the total bonus opportunity. No more than 20% of the bonus will vest for threshold performance with full vesting taking place for equalling or exceeding the maximum target. Specific details of the performance measures for the relevant year can be found in the Annual Report on Remuneration to the extent that they are not commercially sensitive. **Performance period:** One year
Long-Term Incentive Plan (LTIP)	The Premier Foods Long-Term Incentive Plan ('LTIP') provides a clear link to our strategic goal of returning to profitable growth with sustainable share price growth over the long-term.	Annual grant of Performance Share Awards. Performance Share Awards are the conditional award of shares or nil cost options which normally vest after three years, subject to performance conditions. Awards under the LTIP, including the determination of any relevant performance conditions, will be considered and determined on an annual basis at the discretion of the Committee. The rules contain a dividend equivalent provision enabling payments to be made (in cash or shares) at the time of vesting, in an amount equivalent to the dividends that would have been paid on the participant's vested shares between the date of grant of the relevant award and the date of vesting. Recovery and withholding provisions apply.	Maximum individual limit of 200% of salary. Currently award levels are (as a percentage of salary): • CEO: 200% • CFO: 150%	Performance conditions are based on a range of targets focused on the delivery of increased shareholder value over the medium to long-term. Currently these include a combination of total shareholder return and adjusted earnings per share. No more than 20% of the LTIP award will vest for threshold performance with full vesting taking place for equalling or exceeding the maximum target. **Performance period:** Three years **Holding period:** Two years (post vesting)
Sharesave Plan	To offer all employees the opportunity to build a shareholding in a simple and tax-efficient manner.	The Company's Sharesave Plan is a HMRC compliant scheme which is usually offered annually to all employees. The key terms of the plan will only be changed to reflect HMRC changes.	Participants may save up to the statutory limit (currently £500 per month but subject to any lower limit set by the Committee) over a three year period, following which they have the opportunity to buy Company shares at a price set at the beginning of the savings period.	None, other than continued employment **Performance period:** Three years.

	Link to strategy	Operation	Maximum opportunity	Performance measures
Shareholding guidelines	To align executives' interests with shareholders.	Executive directors are expected to retain 50% of shares from vested awards under the DBP and the LTIP (other than sales to settle any tax or NICs due) until they reach their guideline multiple of salary in shares. The Committee will review progress against the guidelines (which are set out in the Annual Report on Remuneration) on an annual basis.	N/A.	N/A. **Performance period:** N/A.
Non-executive director fees	Provides an appropriate level of fixed fee to recruit and retain individuals with a broad range of experience and skill to support the Board in the delivery of its duties. Fees are reviewed annually.	The remuneration of non-executive directors is determined by the Chairman and executive directors. The remuneration of the Chairman is determined by the Remuneration Committee. Includes a Chairman's fee and standard non-executive fee. Additional fees are payable for additional responsibilities, for example the roles of Committee Chairs and the Senior Independent Director. Any reasonable business related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed.	Increases are normally expected to be in line with the market, taking into account increases across the Group as a whole, subject to particular circumstances such as a significant change in role, responsibilities or organisation. The current aggregate maximum under the Company's Articles of Association for the Chairman and the non-executive directors is £1,000,000.	N/A. **Performance period**: N/A.

1. Notes to the policy table

For the avoidance of doubt, in approving this Directors' Remuneration policy, authority is given to the Company to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise as required under the Remuneration Regulations.

The Committee operates the Annual Bonus plan, DBP, and LTIP according to their respective rules which include flexibility in a number of areas. These include:

- the timing of awards and payments;
- the size of an award, within the maximum limits;
- the participants of the plan;
- the performance measures, targets and weightings to be used for the annual bonus plan and long-term incentive plans from year to year;
- the assessment of whether performance conditions have been met;
- the treatment to be applied for a change of control or significant restructuring of the Group;
- the determination of a good/bad leaver for incentive plan purposes and the treatment of awards thereof; and
- the adjustments, if any, required in certain circumstances (e.g. rights issues, corporate restructuring, corporate events and special dividends).

Choice of performance measures and approach to target setting

The Committee reviews the performance measures used in the incentive arrangements on an annual basis to ensure that they remain appropriate and aligned to the delivery of the annual business plan and Group strategy. The majority of annual bonus measures will be focused on financial performance with the remainder linked to individual performance and/or strategic objectives. This approach is adopted in order to link pay to the delivery of overall Group performance measured across a balance of key strategic aims. The targets will be set by reference to internal budgeting and strategic plans for the financial and strategic measures and key objectives identified by the Committee for the personal performance measures.

Currently, the LTIP uses a combination of adjusted earnings per share and total shareholder return based measures to reflect both an internal measure of Group performance as well as the delivery of shareholder value. Targets are set taking into account both internal and external assessments of future performance and what constitutes good and superior returns for shareholders. The Committee also retains the discretion within the policy to adjust the targets and/or set different measures and/or alter weightings for future awards.

In addition, the Committee also retains the discretion within the policy to amend the existing performance conditions for the incentive plans if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose.

The Committee will consider the bonus outcomes against all of the pre-set targets following their calculation and in exceptional circumstances may moderate (up and down) these outcomes to take account of a range of factors, including the Committee's view of overall Group performance for the year. No upward moderation would be undertaken without first consulting with major shareholders.

Directors' Remuneration report

2. Remuneration scenarios and weighting

The charts showing executive director remuneration at different levels of performance are set out on page 47.

3. Service contracts

Executive directors have rolling service contracts. The current executive directors' service contracts contain the key terms shown in the below table. In the event that any additional executive directors are appointed, it is likely that their service contracts will contain broadly similar terms.

Provision	Detailed terms
Remuneration	Salary, bonus, share incentives, expenses and pension entitlements in line with the above Directors' Remuneration Policy Table.
Change of control	The service agreements do not provide for any enhanced payments in the event of a change of control of the Company.
Notice period	Standard notice periods are set at 12 months from the executive directors and Company.
Payment in lieu of notice	The Company may, at its discretion, pay a sum equal to base salary, benefits, and pension contributions which would have been earned during the Notice Period as payment in lieu of notice. This payment is payable in two six monthly instalments or until such earlier date alternative employment is secured, subject to mitigation. In the event of the Company serving notice within 12 months following a change of control then employment will terminate immediately and the Company will make a payment in lieu of notice. There is no entitlement to a pro rata bonus payment in lieu of notice.

The terms and conditions for the Chairman and non-executive directors are set out in their letters of appointment, which are available for inspection at the Company's registered office and will be available at the AGM, as are executive service contracts. The letters of appointment entitle the non-executive directors and the Chairman to receive fees but do not have provisions on payment for early termination. The appointment of non-executive directors is for a fixed term of three years which may be terminated by three months' notice from either party, with the exception of Shinji Honda whose appointment is governed by the Relationship Agreement with Nissin Foods Holdings Co., Ltd.

4. External directorships

The Company recognises that its executive directors may be invited to become non-executive directors of companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the Company. Any external appointments are subject to Board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a director's performance).

5. Policy on payment for loss of office

The Committee aims to deal fairly with cases of termination, while attempting to limit compensation and honour contractual remuneration entitlements. The principles that would be followed are:

- The executive directors have rolling contracts with 12 months' notice periods.
- The Company may elect to terminate employment immediately in circumstances where it considers it to be appropriate by making a payment in lieu of notice equivalent to the executive director's salary, pension and benefits for the notice period in two equal instalments (the first within 28 days of termination and the second six months following the date of termination). These payments are subject to the executive director's duty to mitigate his loss by finding alternative employment. If the executive director finds an alternative position, future payments will be reduced by the amount of remuneration received by the executive director pursuant to that alternative remunerated position.

- Salary, pensions and benefits will generally not be paid to a 'bad leaver' in lieu of notice. The Company may terminate an executive director's employment without notice (or payment in lieu) in certain circumstances, including where he commits an act of dishonesty, is guilty of gross misconduct or a serious breach of his service agreement.
- A time pro-rated bonus (where relevant in respect of that bonus year) may be payable (and for the current CEO will be payable) for the period of active service from the start of the bonus year to the date on which the director's employment terminates for 'good leavers'. Any unpaid bonus for the preceding completed bonus year may also be payable (and for the current CEO will be payable) to a 'good leaver'. The amount of such bonus will be determined at the discretion of the Committee taking into account performance. Any bonus payable could, at the discretion of the Remuneration Committee, be paid entirely in cash. There is no entitlement to any bonus (in respect of that or any previous bonus year) following notice of termination (or cessation of employment) for 'bad leavers' and they will not receive any bonus in such circumstances.
- Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules or award agreement. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, injury, redundancy (not in respect of the DBP), transfer of the employing company or business out of the Group or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. The 'good leaver' treatment under the various plans is as follows:
  - DBP and LTIP awards will vest on the normal vesting date (unless the Remuneration Committee decides that the awards should vest on the date of cessation) subject to, in the case of LTIP awards, performance conditions (measured over the original time period or a shorter period where the LTIP awards vest on cessation of employment) and are reduced pro-rata to reflect the proportion of the period from grant actually served. The Remuneration Committee has the discretion to disapply time pro-rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a 'good leaver' or not, the Committee will take into account the performance of the individual and the reasons for their departure.
  - The Company may enable the provision of outplacement services to a departing executive director, where appropriate.
  - Where it is necessary to discharge an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment the Committee may make a payment to a departing executive director.
  - In the event of change of control of the Company, if the Company gives notice to terminate or the executive director is constructively dismissed, his employment shall terminate immediately and he will be entitled to a payment in lieu of notice equivalent to the executive director's salary, pension and benefits for the 12 month notice period. Any share-based entitlements will be dealt with in accordance with the rules of the relevant schemes.

Directors' Remuneration report

6. Recruitment policy

On the recruitment of an executive director the Committee will aim to align the executive's remuneration package with the approved Directors' Remuneration Policy. In arriving at a remuneration package the Committee will take into account the skills and experience of the individual and the market rate for a candidate. The details of the recruitment policy are set out below:

Reward element	Detailed terms
Base salary	In line with the above Directors' Remuneration Policy table. However, includes discretion to pay lower base salary with incremental increases as new appointee becomes established in the role.
Pension and benefits	In line with the above Directors' Remuneration Policy table.
Performance based pay	Executive directors are entitled to participate in the Company's Annual Bonus, DBP and Long-Term Incentive Plans in line with the above Directors' Remuneration Policy table. The maximum variable pay for the CEO will be 350% of the base salary and 255% of base salary for the CFO and other directors. In its discretion the Committee may set different performance measures to apply to awards made in the year of appointment if it considers that to be appropriate.
Buy outs	In order to facilitate external recruitment of executive directors, it may be necessary for the Committee to consider buying out existing incentive awards which would be forfeited on the individual leaving their current employment. The Committee would seek, where possible, to provide a buy-out structure which was consistent with the forfeited awards in terms of quantum, vesting period and performance conditions. The buy out award may necessitate the use of the flexibility in the Listing Rules to make such awards outside the existing LTIP.

Footnotes:

1. Should an executive appointment be made for an internal candidate, such an individual would be allowed to retain any and all provisions of their current remuneration package.
2. The Committee has discretion to authorise the payment of reasonable relocation costs (and tax thereon) which may be necessary to secure the appointment of an executive director.

7. Consideration of employees/wider Group

In line with current market practice, the Group does not actively consult with employees on executive remuneration. However, the Committee is kept updated during the year on salary increases within the Group, and the level of annual bonus awards, as well as overseeing participation in long-term incentives for below Board level senior management. As a result, the Committee is aware of how typical employee total remuneration compares to the potential total remuneration packages of executive directors. The Group HR Director is a regular attendee at meetings of the Remuneration Committee and is able to brief the Committee on meetings which have been held with employee representative bodies.

Differences in Remuneration Policy for executive directors compared to other employees

The executive directors' remuneration policy is set within the wider context of the Group's remuneration policy for the wider workforce. The key differences of quantum and structure in pay arrangements across the Group reflect the different levels of responsibilities, skill and experience required for the role. Executive directors have a much greater emphasis on performance-based pay through the annual bonus and the LTIP. Salaries for management grades are normally reviewed annually (currently in April each year) and take account of both business and personal performance. Specific arrangements are in place at each site and these may be annual arrangements or form part of a longer term arrangement linked to the delivery of efficiency targets.

The majority of management grades participate in the Annual Bonus plan to ensure alignment with the Group's strategic priorities. Senior management participate in long-term incentive arrangements reflecting their contribution to Group performance and enhancing shareholder value. All employees are encouraged to own shares in the Company via the Sharesave Plan and executive directors through the shareholding guideline.

8. Consideration of shareholders' views

The Remuneration Committee and the Board consider shareholder feedback received in relation to the AGM each year at a meeting immediately following the AGM and any action required is incorporated into the Remuneration Committee's action plan for the ensuing period. This, and any additional feedback received from shareholders from time to time, is then considered by the Committee and as part of their annual review of remuneration arrangements.

Specific engagement with major shareholders may be undertaken when a significant change in remuneration policy is proposed or if a specific item of remuneration is considered to be potentially contentious. During the design of the new policy, the Committee consulted with the major shareholders.

Annual Report on Remuneration

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the AGM on 18 July 2018.

Single figure table for total remuneration (audited)

Single figure for the total remuneration received by each executive director for the 52 weeks ended 31 March 2018 (2017/18) and 1 April 2017 (2016/17).

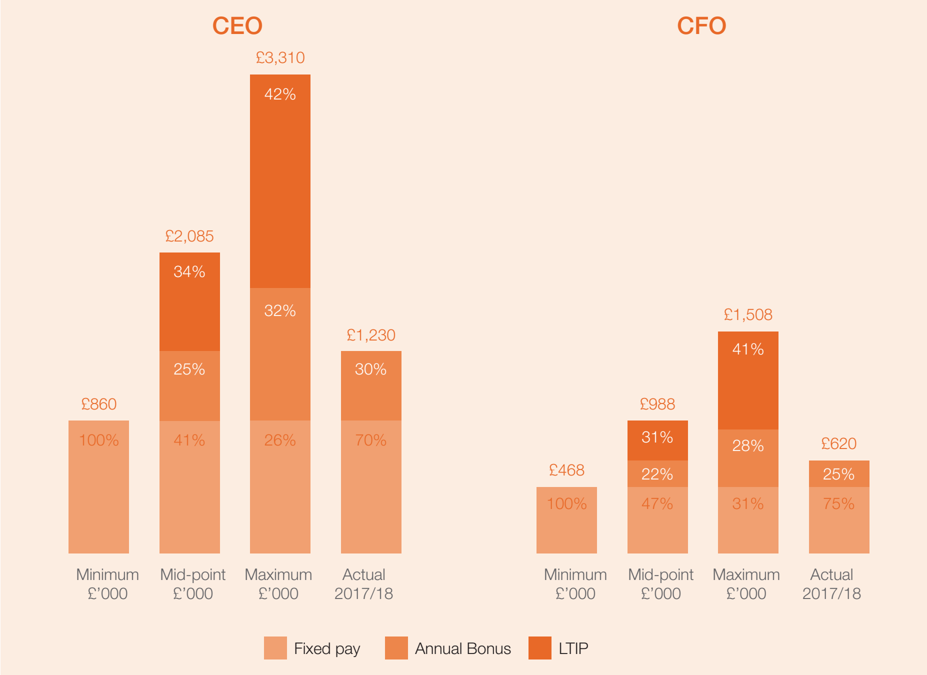
	Salary		Taxable Benefits		Pension		Annual bonus		Share based awards		Total	
Directors	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000
Gavin Darby	**700**	700	**22**	22	**140**	140	**368**	–	**–**	–	**1,230**	862
Alastair Murray	**408**	408	**24**	23	**35**	34	**153**	–	**–**	–	**620**	465

Gavin Darby received a basic salary for the period of £700,000 per annum, a salary supplement in lieu of pension of 20% of base salary and received a bonus of £367,500 for the financial period. Benefits related to the provision of an executive driver service, private health insurance and annual medical assessment.

Alastair Murray received a basic salary for the period of £408,040 per annum and an annualised salary supplement in lieu of pension of 7.5% of the Earnings Cap (£154,200 for the 2017/18 tax year) which equates to £11,568 for the period together with an additional RPI adjusted pensions supplement of £23,389. Mr Murray received a bonus of £152,954 for the financial period. Benefits related to the provision of a company car and private health insurance.

Full details of the annual bonus performance assessment is set out on pages 48 to 50.

Remuneration scenarios and outcome for the year



These charts indicate the level of remuneration that could be earned by executive directors at minimum, mid-point and maximum under the Company's current Directors' Remuneration Policy and, in addition, the actual level of remuneration received for 2017/18.

Footnotes:

1. As the DBP is a portion of Annual Bonus it is included within this segment.
2. The value of share awards does not include any assumptions on share price movements.
3. The executive directors can participate in the Sharesave Plan on the same basis as other employees. For simplicity, the value that may be received from participating in the Sharesave Plan has been excluded from the scenario charts.
4. Assumptions when compiling the charts are:

   Minimum = fixed pay only (base salary, benefits and pension).

   Mid-point = fixed pay plus 50% of Annual Bonus payable and 50% of LTIP vesting.

   Maximum = fixed pay plus 100% of Annual Bonus payable and 100% of LTIP vesting

Directors' Remuneration report

Base salary and fees (executive directors) (audited)

The Committee sets base salary by reference to the size and complexity of the business based on factors such as revenue, market share, and total enterprise value rather than just market capitalisation, which can be volatile as a result of the Group's capital structure. Given the challenges facing the business in 2013, the Board felt it was important to appoint a CEO and CFO with significant experience to lead the Company through a period of significant change and consequently their salaries were set at the upper quartile for the FTSE 250. The business turnaround has involved the establishment of a joint venture for the Hovis bread business and the completion of a successful restructuring of our financial structure with the introduction of a new smaller lending group, an equity raise, the diversification of funding through a high yield bond and also the completion of a new agreement with the Group's pension trustees. In addition a new senior management team were brought in to lead the business. The Committee is mindful of these salaries when considering pay increases and elements of variable pay which are based on multiples of salary.

As part of the Group's cost reduction programme it was agreed that there would be no salary increase for employees not involved in collective bargaining in 2017/18 and therefore there was no change to executive directors' salaries in the financial year. In line with the salary increase to all employees not involved in collective bargaining the Committee has approved a 2.0% salary increase for the CEO and CFO for 2018/19 (which took effect on 1 April 2018). Gavin Darby has again elected not to take a salary increase and therefore his salary remains unchanged from his appointment in 2013.

Executive director	31 March 2018	Change	1 April 2017	Change	2 April 2016
Gavin Darby	**£700,000**	–	£700,000	–	£700,000
Alastair Murray	**£416,200**	+2.0%	£408,040	–	£408,040

Payments to former directors and payments for loss of office (audited)

There have been no payments to former directors or payments for loss of office in the year (2016/17: nil).

Annual Bonus (executive directors) (audited)

Each year the Committee sets individual performance targets and bonus potentials for each of the executive directors. Annually the Committee reviews the level of achievement against the performance targets set and, based on the Committee's judgement, approves the bonus of each executive director. Annual bonus payments are not pensionable.

Performance assessment for 2017/18

The Committee undertook a full and detailed review of the performance of each executive director against the targets set at the start of the period. As well as the specific targets, the Committee also considered the financial performance of the business as a whole as well as an assessment of the market in which the Group operates.

As discussed in the Chairman's statement and CEO Review on pages 03 and 05 the Group delivered a strong overall performance in 2017/18. Trading profit was £123.0m which represented a 5.1% increase on prior year, however, whilst this was above market expectation it was slightly behind the stretching target set by management at the start of the period. Net debt reduced by £26.8m (5.1%) to £496.4m as a result of strong cash flow management and increased Trading profit and this exceeded the target of £514.2m.

The Committee in addition reviewed performance against each of the Strategic targets (also subject to a financial underpin) and the Personal targets and the extent to which they were achieved. Following the review the Committee assessed that, based on performance over the year, a bonus of 59.5% of opportunity for Mr Darby and of 59% of opportunity for Mr Murray was appropriate. However, for reasons of affordability, it was agreed between the Committee and the executive directors, that the bonus payments to both Mr Darby and Mr Murray would be capped at 35% of opportunity. Accordingly a bonus of £367,500 was approved for Mr Darby and a bonus of £152,954 was approved for Mr Murray.

Further details of the specific Financial, Strategic and Personal targets and the performance outcome are set out in the tables on pages 49 and 50 for information. Individual weightings have been provided for each Strategic objective.

Following the approval of the 2017 Remuneration Policy one third of any annual bonus payment to executive directors is made in the form of shares deferred for a three year period under the Deferred Bonus Plan (DBP), details of the DBP are set out on page 51.

Gavin Darby (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Annual Bonus Performance (% of max bonus)
Financial objectives (subject to Trading profit underpin of £121.8m)					
Trading profit	£125.0m	£128.0m	£123.0m	40%	15.0%
Net Debt	£514.2m	£490.0m	£496.4m	10%	7.5%
				50%	22.5%

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Short to medium-term Strategic objectives (subject to Trading profit underpin of £121.8m)			
Commercial growth opportunities	Successful completion of strategic contract renewal with Mondelēz International with increased tenure (to at least 2022), expanded to incorporate 46 countries and the opportunity to access additional brand range.	15.0%	13.0%
	Incremental growth from strategic partnership with Nissin through *Batchelors* Super Noodle Pots and distribution of Nissin's Soba noodles, initiated test launch of Nissin's Cup Noodle and delivered revenue significantly above target.	10.0%	7.0%
Corporate development	Led review of strategic opportunities which was presented to the Board.	10.0%	4.0%
		35.0%	24.0%
Personal objectives			
Organisation design	Establishment of single UK BU organisation with revised operational model and delivered annualised SG&A savings of £10m. New management structure has helped to accelerate revenue growth and deliver the business plan.		
Customer relations	Continued development of relationships with major customers through direct engagement of the CEO and senior management team.		
Stakeholder engagement	Leading role as President of the Food and Drink Federation working with the government to shape the approach to key issues facing the food industry, including Brexit and health and wellness. Appointed to the government's Industry Sector Counsel. Initiated the Group's strategy for plastic packaging.		
		15.0%	13.0%
	Final outcome	100%	59.5%

Directors' Remuneration report

Alastair Murray (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Annual Bonus Performance (% of max bonus)
Financial objectives (subject to Trading profit underpin of £121.8m)					
Trading profit	£125.0m	£128.0m	£123.0m	30%	11.0%
Net debt	£514.2m	£490.0m	£496.4m	20%	15.0%
				50%	26.0%

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Short to medium-term Strategic objectives (subject to Trading profit underpin of £121.8m)			
Corporate development	Successfully negotiated new revolving credit facility with extended maturity to December 2020. Re-financed the £210m Senior Secured floating rate notes which extended the maturity until 2022 with no increase in coupon.	10.0%	10.0%
Incremental growth and value creation opportunities	Hovis joint venture – Provided Board level support for a number of major commercial and corporate projects.	5.0%	4.0%
	Knighton business – New CFO recruited and new IT system successfully integrated but overall trading performance below plan.	5.0%	–
Cost and efficiency	SG&A savings of £10m fully implemented with associated organisational restructure now embedded. Net debt reduced by £26.8m through effective control of capex and other discretionary spend.	10.0%	5.0%
Pensions	Integrated Risk Management review completed by the three principal pension schemes. Agreed a de-risking strategy with the RHM trustees which has reduced the overall level of risk whilst maintaining expected asset return.	5.0%	5.0%
		35.0%	24.0%
Personal objectives			
Shared service centre and operational efficiency	Strategy for shared service centre agreed and introduction of robotic process automation initiated.		
Audit and control	New head of Internal Audit successfully inducted into the business and no major control failures reported in the period.		
Business systems	Transfer of IT systems to new third party logistics provider successfully completed and costs control and service level KPIs achieved.		
		15.0%	9.0%
	Final outcome	100%	59.0%

Annual bonus measures for 2018/19

The Committee has determined that the weightings for the annual bonus performance measures will remain the same as last year, split between Financial, Strategic and Personal objectives representing 50%, 35% and 15% of opportunity, respectively.

The performance measures are linked to the Group's strategy to focus on revenue growth, cost efficiency and cash generation with the aim to deleverage the business. Trading profit and Net debt are both Group KPIs (see page 08). Strategic objectives are focused on commercial opportunities to drive sales, generate cost savings and improve free cash flow. The Board considers the Financial targets and certain of the Strategic and Personal objectives to be commercially sensitive but has agreed that the targets will be disclosed as part of the performance assessment in next year's annual report. The Financial and Strategic targets contain a Trading profit underpin.

One third of any annual bonus awarded in respect of the 2017/18 financial year will be deferred in shares for three years under the Deferred Bonus Plan.

	CEO	CFO
Maximum opportunity as a % of salary	150%	105%

Performance measure	Weighting	Weighting
Financial objectives (subject to a Trading profit underpin)		
Trading profit	40%	40%
Net debt	10%	10%
	50%	50%
Short to medium-term Strategic objectives (subject to a Trading profit underpin)		
CEO	35%	
• Business development opportunities to deliver incremental growth. • Delivery of value creation initiatives through relationships with our strategic partners. • Develop business turnaround plan for Knighton Foods business.		
CFO		35%
• Corporate development opportunities to deliver incremental growth. • Strategic cash flow and efficiency opportunities to accelerate debt reduction. • Completion of logistics consolidation and delivery of targeted savings.		
Personal objectives		
CEO	15%	
Stakeholder management, organisational development and succession planning		
CFO		15%
Delivery of cost efficiency KPIs, IT system security resilience and organisational development		
	100%	100%

Deferred Bonus Plan (DBP)

Following the approval of the new Directors' Remuneration Policy in July 2017, one third of any annual bonus payment awarded to executive directors will be in the form of shares. These shares are awarded under the terms of the DBP which was approved by shareholders in July 2017. Awards will normally be made within six weeks following the announcement of the Group's full year results in the form of nil cost options. The awards will normally vest on the third anniversary of grant and, if awarded in the form of nil cost options will then be exercisable up until the tenth anniversary of grant. The shares are subject to forfeiture and claw back provisions.

Deferred Share Bonus Plan (DSBP)

Alastair Murray participated in the DSBP which operated alongside the Annual Bonus plan with a maximum opportunity of 30% of salary. Awards were based on the achievement of a range of Company-wide financial and strategic targets set at the start of each financial period. Any bonus earned was converted into shares following the announcement of the results for the financial period and deferred for a period of two years. The shares for these awards were sourced in the market and are subject to forfeiture over the period of deferral.

In order to simplify remuneration arrangements Alastair Murray's entitlement under the DSBP has been combined with his annual bonus going forward and therefore no further awards will be made under this plan. The one outstanding award of 157,560 shares (see table on page 53) will vest on 2 June 2018.

Long-Term Incentive Plan (LTIP)

The current LTIP was approved by shareholders in 2011; awards can be made as either performance shares or matching shares. In 2017 the Committee reviewed the use of the matching shares and concluded that they were no longer common practice in the market and therefore no further awards will be made as matching shares under the LTIP.

LTIP award for 2017/18 (audited)

Details of the LTIP award granted on 13 June 2017 are set out below.

	Basis of award	Max value on award date	Performance period
Gavin Darby	200%	£1,400,000	01.04.17– 31.03.20
Alastair Murray	150%	£612,060	01.04.17– 31.03.20

		Targets		
Performance measure	Weighting	Below threshold	Threshold	Stretch
Relative TSR[1]	2/3	< Median	Median	Upper quartile
Adjusted EPS[2]	1/3	< 7.8p	7.8p	8.7p
% of relevant portion of award vesting[3]		0%	20%	100%

1. Measured against the constituents of the FTSE All Share Index (excluding investment trusts) around the start of the period.
2. 2016/17 base year adjusted EPS was 7.2p.
3. Straight line vesting between threshold and stretch.

Directors' Remuneration report

LTIP award for 2018/19

For the 2018/19 award the Committee proposes to use the same measures as the 2017/18 LTIP award, i.e. a relative TSR condition (comprising 2/3rds of the award) and an adjusted EPS condition (comprising 1/3rd of the award), which is aligned with the Company's focus on revenue, cost efficiency and cash generation in order to reduce Net debt and improve shareholder return over the medium-term. The Committee believes that these measures are fully aligned with the interests of shareholders and that awards will only vest following the achievement of stretching performance targets.

The TSR condition requires at least a median ranking to be achieved for 20% of this part of the award to vest, with full vesting taking place for an upper quartile ranking against the constituents of the FTSE All Share Index (excluding investment trusts). The Committee considers that the FTSE All Share Index is an appropriate index to use as it includes a wide range of companies, including the members of the FTSE Small Cap Index. The Compound Annual Growth Rate (CAGR) for the adjusted EPS target ranges from 3.4% to 8.8%. The Committee considers the targets to be challenging, particularly in the context of current growth levels in the markets in which we operate. Further details of all outstanding LTIP awards are provided in the table on page 53.

	Basis of award	Max value on award date	Performance period
Gavin Darby	200%	£1,400,000	01.04.18 – 31.03.21
Alastair Murray	150%	£624,300	01.04.18 – 31.03.21

		Targets		
Performance measure	Weighting	Below threshold	Threshold	Stretch
Relative TSR[1]	2/3	< Median	Median	Upper quartile
Adjusted EPS[2]	1/3	< 8.4p	8.4p	9.8p
% of relevant portion of award vesting[3]		0%	20%	100%

1. Measured against the constituents of the FTSE All Share Index (excluding investment trusts) around the start of the period.
2. 2017/18 base year adjusted EPS was 7.6p.
3. Straight line vesting between threshold and stretch.

Performance assessment for the 2015 LTIP award

The performance conditions for the 2015 LTIP award were based on a relative TSR condition (comprising 2/3rds of the award) and an adjusted EPS condition (comprising 1/3rd of the award). The Committee assessed the two performance conditions in May 2018 and concluded that the targets had not been met and consequently the 2015 LTIP award has lapsed.

Dilution limits

Awards under certain executive and all-employee share plans may be satisfied using either newly issued shares or shares purchased in the market and held in the Group's Employment Benefit Trust (which held 656,780 shares as at 31 March 2018). The Group complies with the Investment Association guidelines in respect of the dilutive effect of newly issued shares. The current dilutive impact of share awards over a 10 year period is approximately 2%.

Pension payments

The table below provides details of the executive directors' pension benefits:

	Total contributions to DC-type pension plan £'000	Cash in lieu of contributions to DC-type pension plan £'000
Gavin Darby	–	140
Alastair Murray	12	23

Executive directors have the right to participate in the Group's defined contribution ('DC') pension plan or elect to be paid some or all of their contributions in cash. Gavin Darby is paid a cash contribution of 20% of salary whilst Alastair Murray participates in the Group's DC pension scheme and receives a cash supplement.

Share ownership guidelines and share interests table (audited)

To align executive directors' interests with those of shareholders they are expected to retain 50% of shares from vested awards under the DBP, the DSBP and the LTIP (other than sales to settle any tax or NICs due) until they reach a value at least equal to their annual salary (valued at the time of purchase or vesting). The following table shows executive directors' interests in Company shares. Awards under the LTIP are subject to a three year vesting period and will only vest if stretching performance conditions are met. In July 2017 the Company adopted a two year holding period post vesting. The figures shown represent the maximum number of shares a director could receive following the end of the vesting period if all performance targets were achieved in full.

Share ownership guidelines and share interest table (audited)

	Shares owned as at 31 March 2018	Shares owned as at 1 April 2017	Extent to which share ownership guidelines met	Unvested share interests under LTIP Awards	Unvested shares interests under DSBP Awards	Sharesave Awards	**Total**
Gavin Darby[1]	**5,601,595**	5,213,336	471%	10,032,268	–	24,732	**15,658,595**
Alastair Murray	**309,522**	309,522	61%	4,728,175	157,560	24,732	**5,219,989**

1. Held in the name of Mr and Mrs Darby

Executive share awards (audited)

	Date of grant	Balance as at 1 April 2017	Awarded in the year	Exercised in the year	Lapsed in the year	**Balance as at 31 March 2018**	Option price	Share price on date of grant	Share price on date of exercise	Vesting date	Maximum expiry date
Gavin Darby											
LTIP	25.06.14	2,629,107	–	–	2,629,107	**–**	–	51.75	–	31.03.17	24.06.21
	11.06.15	3,294,117	–	–	–	**3,294,117**	–	42.00	–	31.03.18	10.06.22
	03.06.16	3,294,117	–	–	–	**3,294,117**	–	42.50	–	31.03.19	02.06.23
	13.06.17	–	3,444,034	–	–	**3,444,034**	–	40.50	–	31.03.20	12.06.24
Sharesave Plan	11.10.13	3,214	–	–	3,214	**–**	72.79	–	–	01.12.16	01.06.17
	26.09.14	10,404	–	10,404	–	**–**	34.60	–	37.20	01.12.17	01.06.18
	15.12.15	16,906	–	–	–	**16,906**	31.94	–	–	01.02.19	01.08.19
	20.12.16	7,826	–	–	–	**7,826**	34.50	–	–	01.02.20	01.08.20
		9,255,691	3,444,034	10,404	2,632,321	**10,057,000**					
Alastair Murray											
LTIP	25.06.14	1,126,760	–	–	1,126,760	**–**	–	51.75	–	31.03.17	24.06.21
	11.06.15	1,782,352	–	–	–	**1,782,352**	–	42.00	–	31.03.18	10.06.22
	03.06.16	1,440,141	–	–	–	**1,440,141**	–	42.50	–	31.03.19	02.06.23
	13.06.17	–	1,505,682	–	–	**1,505,682**	–	40.50	–	31.03.20	12.06.24
DSBP	03.06.16	157,560	–	–	–	**157,560**	–	42.50	–	02.06.18	02.12.18
Sharesave Plan	15.12.15	16,906	–	–	–	**16,906**	31.94	–	–	01.02.19	01.08.19
	20.12.16	7,826	–	–	–	**7,826**	34.50	–	–	01.02.20	01.08.20
		4,531,545	1,505,682	–	1,126,760	**4,910,467**					

1. All LTIP awards are in the form of performance shares. The Remuneration Committee concluded that the performance conditions for the 2015 LTIP had not been met and consequently the award lapsed in full on 10 May 2018.
2. Mr Darby exercised an option over 10,404 shares under the Company's Sharesave Plan on 27 March 2018 and all shares were retained, this resulted in a notional gain on exercise of £270.50. The Sharesave Plan is an HMRC tax advantaged scheme under which option prices for awards may be set at up to a 20% discount to the market value of shares immediately prior to the date the offer is made. Executive directors are eligible to participate in the Group's Sharesave Plan on the same basis as all other eligible employees.

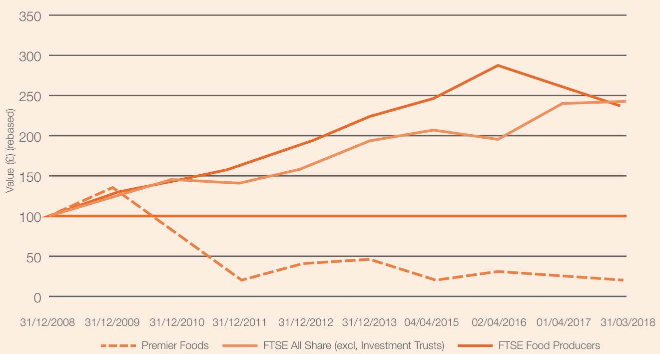
Share ownership for the wider Group

The Committee recognises the importance of aligning colleagues across the business with those of shareholders and encourages share ownership in order to increase focus on the delivery of shareholder return. All members of the ELT participate in the LTIP. In 2014 all colleagues (excluding the ELT) were given an award of 500 free shares under the Share Incentive Plan and each year colleagues are invited to join the Company's all employee Sharesave Plan. Participation in the Sharesave Plan currently represents approximately 30% of colleagues.

Directors' Remuneration report

Total shareholder return

The market price of a share in the Company on 29 March 2018 (the last trading day before the end of the financial period) was 37.8 pence; the range during the financial period was 36.5 pence to 45.8 pence.



Source: FactSet

This graph shows the value, by 31 March 2018, of £100 invested in Premier Foods plc on 31 December 2008, compared with the value of £100 invested in the FTSE Food Producers Index and FTSE All Share Index (excluding Investment Trusts) on the same date. The Committee considers these to be the most appropriate comparator indices to assess the performance of the Group. The other points plotted are the values at intervening financial year-ends.

Chief Executive's single figure for total remuneration

The table below shows the single figure for total remuneration and the annual bonus and LTIP vesting as a percentage of maximum opportunity for the financial period and the previous eight financial periods. The figures for 2014/15 represents a 15 month period.

Year	CEO	Single figure for total remuneration	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2017/18	Gavin Darby[1]	£1,229,383	35.0%	–
2016/17	Gavin Darby	£862,455	–	–
2015/16	Gavin Darby	£1,750,933	57.0%	–
2014/15	Gavin Darby	£1,736,749	23.4%	–
2013	Gavin Darby	£1,405,753	16.0%	–
	Michael Clarke	£1,122,795	–	–
2012	Michael Clarke	£1,699,575	66.0%	–
2011	Michael Clarke	£2,277,070	–	–
	Robert Schofield	£895,485	–	–
2010	Robert Schofield	£715,052	10.0%	–
2009	Robert Schofield	£929,967	29.0%	–

1. Full details of the single figure for total remuneration are set out on page 47.

Percentage change in CEO pay

For the purpose of this table pay is defined as salary, benefits and annual bonus. There has been no increase to the CEO's salary since his appointment in 2013. The average pay of management grades (approximately 400 employees) is used for the purposes of comparison as they are members of the Group's Annual Bonus plan.

	CEO		Management grades	
	% Change 2017/18	% Change 2016/17	**% Change 2017/18**	% Change 2016/17
Base salary	**0%**	0%	**+2.0%**	0%
Benefits	**0%**	+16%	**0%**	0%
Annual bonus	**-**	–100%	**-11.3%**	–23%

Sharwood's SINCE 1889

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs. The terms of our current banking facility contain restrictions on the payment of dividends. Free cash flow and Net debt have therefore been included as additional indicators. Cash flow demonstrates the cash available to reinvest in the business and service debt payments and Net debt highlights the importance of organically deleveraging the business to a point at which dividend payments can be resumed under the Group's banking arrangements (see KPIs on page 08).

	2017/18	2016/17	Change
Total employee costs	£148.2m	£157.9m	-6.1%
Free cash flow	£28.8m	£15.1m	+90.7%
Net debt	£496.4m	£523.2m	-5.1%

Non-executive directors (audited)

Single figure for the total remuneration received by each non-executive director for the financial periods ended 31 March 2018 and 1 April 2017.

Director	Basic fee	Committee Chair fee	SID fee	Total fees 2017/18	Total fees 2016/17
Keith Hamill[1]	235,000	–	–	117,500	–
Richard Hodgson	57,000	–	–	57,000	57,000
Shinji Honda[2]	–	–	–	–	–
Ian Krieger	57,000	13,000	10,000	80,000	80,000
Jennifer Laing	57,000	10,500	–	67,500	67,500
Pam Powell	57,000	–	–	57,000	57,000
Former directors					
David Beever[3]	265,000	–	–	161,610	265,000
Tsunao Kijima[2]	–	–	–	–	–
Daniel Wosner[4]	57,000	–	–	57,000	4,750

1. Mr Hamill was appointed as a non-executive director on 1 October 2017 and as Chairman on 9 November 2017.
2. Mr Honda was appointed as a non-executive director on 23 March 2018 as a representative of Nissin in place of Mr Kijima who stepped down as a non-executive director on 23 March 2018 following his decision to retire from Nissin. Neither Mr Kijima nor Mr Honda receive a fee or other remuneration in respect of their roles.
3. Mr Beever retired as a non-executive director on 9 November 2017.
4. Mr Wosner, who was a representative of Oasis, resigned as a non-executive director on 28 March 2018.

Non-executive directors' fees

The fees of our non-executive directors (NEDs) are set out below. Keith Hamill was appointed as Chairman in November 2017 following the retirement of David Beever and his fee was agreed at £235,000. A review of non-executive directors' fees was undertaken in February 2018 and no increase to fees was recommended.

NED Fees	31 March 2018	Change	1 April 2017
Chairman fee	£235,000	-11%	£265,000
Basic NED fee	£57,000	–	£57,000
Additional remuneration:			
Audit Committee Chairman fee	£13,000	–	£13,000
Remuneration Committee Chairman fee	£10,500	–	£10,500
Senior Independent Director fee	£10,000	–	£10,000

Non-executive directors' terms of appointment

All non-executive directors have entered into letters of appointment/amendment as detailed in the table below. The appointments are subject to the provisions of the Companies Act 2006 and the Company's Articles. Terms of appointment are normally for three years or the date of the AGM immediately preceding the third anniversary of appointment. Non-executive directors' continued appointments are evaluated annually, based on their contributions and satisfactory performance. Following the expiry of a term of appointment, non-executives may be re-appointed for a further three year period. Mr Honda's appointment is governed by the terms of the relationship agreement with Nissin.

NED	Date of original appointment	Expiry of current appointment/amendment letter	Notice period
Keith Hamill	1 October 2017	AGM 2020	6 months
Richard Hodgson	6 January 2015	AGM 2020	3 months
Shinji Honda	23 March 2018	–	–
Ian Krieger	1 November 2012	AGM 2018	3 months
Jennifer Laing	1 October 2012	AGM 2018	3 months
Pam Powell	7 May 2013	AGM 2019	3 months

Directors' Remuneration report

Non-executive directors' interests in shares (audited)

NED	Ordinary shares owned as at 31 March 2018	Ordinary shares owned as at 1 April 2017
Keith Hamill[1]	**266,666**	–
Richard Hodgson	**–**	–
Shinji Honda[2]	**–**	–
Ian Krieger	**504,000**	504,000
Jennifer Laing	**54,802**	54,802
Pam Powell	**160,366**	160,366

1. Mr Hamill was appointed as a non-executive on 1 October 2017.
2. Mr Honda is Chief Strategy Officer of our largest shareholder, Nissin. It was agreed on appointment that he would not hold shares in the Company.

The Committee

Details of the Committee members and meeting attendance are set out on pages 30 and 31. The Committee Chairman and all current members of the Committee are independent. Mr Wosner was appointed a member of the Committee when he joined the Board in March 2017 but resigned from the Committee in July 2017 in order to ensure the Committee consisted of only independent non-executive directors. In addition, the CEO, HR Director and Aon Hewitt regularly attend by invitation. In accordance with the Committee's terms of reference, no one attending a Committee meeting may participate in discussions relating to his/her own terms and conditions of service or remuneration. Over the course of the year the Committee held five scheduled meetings.

Advisers

Aon Hewitt Limited ('Aon') has been appointed as advisers to the Committee. During the year Aon provided advice in connection with executive remuneration arrangements and the Company's new Remuneration Policy. Aon are signatories of the Remuneration Consultants Company Code of Conduct. The trustees of the Company's pension schemes have appointed Aon to act as Administrators and Actuary to the schemes and, in the case of the RHM pension scheme, to act as Investment Advisers. Aon operates independently of the pension teams and the Committee is satisfied there is no conflict of interest. Aon received fees of £28,166 (2016/17: £65,715) in respect of their advice to the Committee during the financial period.

Role of the Remuneration Committee

The Committee has been delegated authority by the Board to approve the overall design of the Remuneration Policy for executive directors and senior management, to agree the terms of employment including recruitment and termination terms of executive directors, approve the design of all share incentive plans and recommend appropriate performance measures and targets for the variable element of remuneration packages and determine the extent to which performance targets have been achieved. The Committee's terms of reference are available on the Group's website.

During the financial period the Committee discussed the following:

- Reviewed the voting results for the 2017 Directors' Remuneration Report and the Directors' Remuneration Policy at the AGM;
- Reviewed a new management Annual Bonus plan for management at below Board level;
- Reviewed and recommended executive directors' and senior managers' annual bonuses in respect of the financial period and set the targets for the 2018/19 annual bonus in accordance with the strategic objectives of the Group;
- Granted the 2017 awards under the Company's all-employee and executive share plans and agreed the targets for awards due to be made in 2018; and
- Discussed developments in best practice with regard to remuneration policy and disclosure.

External appointments

The Board is open to executive directors who wish to take on a non-executive directorship with a publicly quoted company in order to broaden their experience and they may be entitled to retain any fees they receive. However, any such appointment would be reviewed by the Board on a case by case basis. The current executive directors do not have any external appointments with publicly quoted companies. Gavin Darby is currently President of the Food and Drink Federation.

Statement of voting at Annual General Meeting

Both the Directors' Remuneration Report and the Directors' Remuneration Policy received strong support at the AGM in 2017 with more than 98% of shares voted being in favour. Full details of the voting on the resolutions are set out below.

	Approval of Directors' Remuneration Report 2016/17	% of votes cast	Approval of the current Directors' Remuneration Policy	% of votes cast
Date of AGM	20 July 2017		20 July 2017	
Votes for	544,613,759	98.87%	540,647,973	98.82%
Votes against	6,198,168	1.13%	6,432,867	1.18%
Total votes cast	550,811,927	100%	547,080,840	100%
Votes withheld	66,079		3,797,166	

The Directors' Remuneration Report was approved by the Board on 15 May 2018 and signed on its behalf by:

Jennifer Laing
Chairman of the Remuneration Committee

Independent auditor's report

1. Our opinion is unmodified

We have audited the financial statements of Premier Foods plc ("the Company") together with its subsidiaries ("the Group") for the 52 weeks ended 31 March 2018 that comprise the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, Company balance sheet, Company statement of changes in equity and the related notes, including the Group and Company accounting policies in notes 2 & 1 respectively.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 4 September 2015. The period of total uninterrupted engagement is for the three 52 week periods ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		£4.5m (2016/17: £4.5m) 0.55% (2016/17: 0.57%) of Group revenue
Coverage		95% (2016/17: 95%) of Group revenue
Group risks of material misstatement		vs 2016/17
Recurring risks	Revenue relating to commercial arrangements	◀▶
	Carrying value of goodwill and the Sharwood's and Paxo brands*	◀▶
	Valuation of defined benefit pension plans	◀▶
Company risks of material misstatement		
Company recurring risk	Recoverability of balances with Group undertakings	

* Prior year risk related to the Mr Kipling brand

Independent auditor’s report

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Revenue relating to commercial arrangements

Commercial accruals
(£(46.2m); 2016/17: £(38.6m))

Refer to page 36 (Audit Committee Report), page 73 (accounting policy) and page 86 (financial disclosures).

The risk

Estimation uncertainty impacting revenue

The Group enters into commercial arrangements with its customers on a regular basis to offer product promotions and discounts. The Group measures revenue taking into consideration estimated rebates and discounts.

Due to the nature of some arrangements and the number of different arrangements in place, there is a risk that these arrangements are not appropriately accounted for and as a result revenue is misstated.

The Group also focuses on revenue as a key performance measure which could create an incentive for revenue to be overstated through manipulation of rebates and discounts, resulting from the pressure management may feel to achieve performance targets.

The most significant areas of estimation uncertainty are:

- estimating the sales volumes attributable to each arrangement; and
- determining the period which the arrangements cover and hence the correct period for recognition.

Our response

Our procedures included:

- **Accounting policies:** Assessing the appropriateness of the revenue recognition accounting policies, in particular those relating to rebates and discounts and assessing compliance with the applicable accounting standards;
- **Controls testing:** Testing the design, implementation and effectiveness of the Group’s automated controls over the authorisation and calculation of rebates and discounts;
- **Tests of details:** Comparing a sample of promotions recorded during the period to supporting evidence such as customer acceptance, electronic point of sale data and customer debit notes to assess the accuracy of the estimate;
- Testing credit notes issued after the period end to assess the completeness of the commercial accruals recorded and existence of 2017/18 revenue;
- Obtaining supporting documentation for a sample of manual journals posted to revenue accounts;
- Visiting a selection of customer stores before the period end, identifying product promotions and assessing whether those promotions were appropriately accrued for; and
- **Assessing disclosures:** Considering the adequacy of the Group’s disclosures relating to the critical accounting policies, estimates and judgements in respect of volume rebates and discounts.

Our results

The results of our testing were satisfactory and we consider revenue relating to commercial arrangements to be acceptable (2016/17: acceptable).

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Carrying value of goodwill and the Sharwood's and Paxo brands **Goodwill** (£650.3m; 2016/17 £646.0m) *Refer to page 36 (Audit Committee Report), page 73 (accounting policy) and pages 82 to 84 (financial disclosures).*	**Forecast-based valuation** Goodwill and brand asset values are dependent on the achievement of future business plans which are inherently uncertain. The business operates in an environment of significant retailer pressure on price, competitor activity and increasing commodity prices. In light of these trading challenges and the Group's financial constraints on brand investment, there is a risk that the Group's goodwill and brand asset values, in particular the goodwill attributed to the Grocery cash generating unit and the Sharwood's and Paxo brands, may not be recoverable.	**Our procedures included:** • **Assessing cash generating units:** Assessing the appropriateness of the cash generating units identified; • **Assessing methodology:** Assessing the methodology of the valuation models for the Grocery cash generating unit and the brands; • **Benchmarking assumptions:** Evaluating assumptions used, in particular those relating to: i) the short and long-term revenue growth rates; ii) future changes in profitability; iii) the discount rates used; and iv) the EBITDA multiple assumption used in the brand assessments, comparing these with externally derived data and using our own valuation specialists where applicable; • **Sensitivity analysis:** Performing sensitivity analysis of key assumptions noted above; and • **Assessing disclosures:** Assessing whether the Group's disclosures relating to the sensitivity of the outcome of the impairment assessments to changes in key assumptions reflect the risks inherent in the valuation of goodwill and considering the adequacy of the Group's disclosures relating to brands. **Our results** The results of our testing were satisfactory and we consider the carrying value of goodwill and Sharwood's and Paxo brands to be acceptable (2016/17: goodwill and the Mr Kipling brand: acceptable).
Valuation of defined benefit pension plans **Defined benefit obligation** (£(4,546.6m); 2016/17: £(4,759.8m)) **Valuation of scheme assets for which a quoted price is not available (excluding swaps)** £821.3m; 2016/17: £766.2m) *Refer to page 36 (Audit Committee Report), page 73 (accounting policy) and pages 95 to101 (financial disclosures).*	**Subjective valuation** Small changes in the assumptions used to determine the liabilities of the RHM Pension Scheme, Premier Foods Pensions Scheme and Premier Grocery Products Pension Scheme, in particular those relating to inflation, mortality and discount rates, can have a significant impact on the valuation of the liabilities. The Group's RHM Pension Scheme holds assets for which quoted prices are not available. The valuation of these assets can have a significant impact on the surplus. Valuations are prepared based on most recent information available and are updated where appropriate.	**Our procedures included:** • **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the inflation, mortality and discount rate assumptions, against externally derived data; • **Assessing experts:** Assessing the competence and objectivity of the fund managers and custodians who prepared asset statements to support the Group's valuation of scheme assets; • **Asset confirmations:** Obtaining asset statements in respect of the schemes' investments directly from fund managers and custodians; and • **Assessing disclosures:** Considering the adequacy of the Group's disclosures relating to the sensitivity of the surplus to the key assumptions. **Our results** The results of our testing were satisfactory and we consider the valuation of defined benefit pension plans to be acceptable (2016/17: acceptable).

Independent auditor's report

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Recoverability of balances with Group undertakings Company only (£1,296.9m; 2016/17: £1,279.2m) *Refer to page112 (accounting policy) and page 114 (financial disclosures).*	**Subjective valuation** The carrying amount of the intra-group receivables balance represents 99% of the Company's total assets. Their recoverability is dependent on the achievement of future business plans which are inherently uncertain. In addition, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.	**Our procedures included:** • **Test of details:** Comparing the amounts due from Group undertakings with the relevant subsidiaries' draft balance sheet to identify whether their net assets were in excess of the amount due and assessing whether those subsidiaries have historically been profit-making; • For the amounts due from Group undertakings where the carrying amount exceeded the net asset value, comparing the carrying amount with the expected value of the business based on a discounted cash flow analysis; and • **Benchmarking assumptions:** Evaluating assumptions used in the discounted cash flow analysis as described in the goodwill impairment key audit matter above. **Our results** We found the Group's assessment of the recoverability of the Group receivables balance to be acceptable.

Removal of key audit matter in respect of deferred tax assets

As the Group is no longer in a deferred tax asset position, we do not assess this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £4.5m (2016/17: £4.5m), determined with reference to a benchmark of Group revenue of which it represents 0.55% (2016/17: 0.57%). We consider Group revenue to be the most appropriate benchmark as it is a key performance indicator.

We do not consider the pre-tax result an appropriate benchmark as it is not currently a key measure of the performance of the Group. We have given consideration to other profit metrics such as trading profit in determining materiality.

Materiality for the Company financial statements as a whole was set at £0.6m (2016/17: £0.6m), determined with reference to a benchmark of profit before tax, of which it represents 4.0% (2016/17: 3.8%).

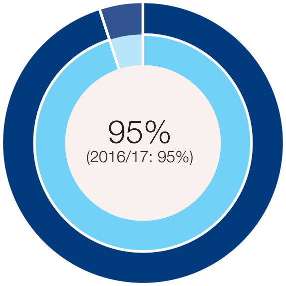
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.22m (2016/17: £0.22m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 33 (2016/17: 33) reporting components, we subjected 5 (2016/17: 5) to full scope audits for Group purposes.

For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

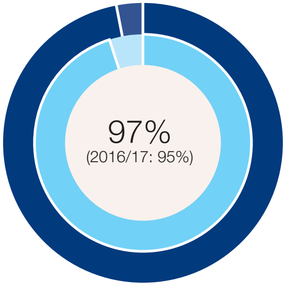
The component materialities ranged from £0.6m to £4.25m (2016/17: £0.6m to £4.25m), having regard to the mix of size and risk profile of the Group across the components. All full scope components are managed from the central locations in the UK and the work on all components subject to audit was performed by the Group team.

Group revenue

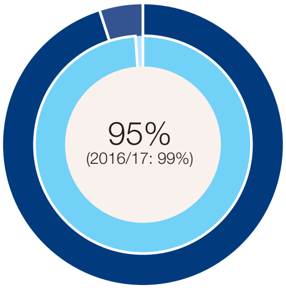


- Full scope for Group audit purposes 2017/18
- Full scope for Group audit purposes 2016/17
- Residual components

Group profit before tax



Group total assets



Independent auditor's report

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on pages 29, 38 and 68 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety and certain aspects of company legislation. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items. Further details in respect of possible incentives for revenue to be overstated through manipulation of rebates and discounts is set out in the key audit matter disclosures in section 2 of this report.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Pinckard
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London
E14 5GL
15 May 2018

Consolidated statement of profit or loss

	Note	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Revenue	4	819.2	790.4
Cost of sales		(547.5)	(513.5)
Gross profit		271.7	276.9
Selling, marketing and distribution costs		(115.9)	(127.2)
Administrative costs		(86.5)	(88.2)
Operating profit	5	69.3	61.5
Operating profit before impairment		75.8	61.5
Impairment of goodwill	11	(4.3)	–
Impairment of intangible assets	12	(2.2)	–
Finance cost	7	(50.4)	(51.6)
Finance income	7	1.6	1.5
Net movement on fair valuation of interest rate financial instruments	7	0.4	0.6
Profit before taxation		20.9	12.0
Taxation charge	8	(13.7)	(6.5)
Profit for the period attributable to owners of the parent		7.2	5.5
Basic earnings per share			
From profit for the year	9	0.9	0.7
Diluted earnings per share			
From profit for the year	9	0.9	0.7
Adjusted earnings per share[1]			
From adjusted profit for the year	9	7.6	7.2

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

Consolidated statement of comprehensive income

	Note	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Profit for the period		7.2	5.5
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	20	174.8	(76.6)
Deferred tax (charge)/credit	8	(29.7)	14.9
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		0.5	(1.1)
Other comprehensive income/(loss), net of tax		145.6	(62.8)
Total comprehensive income/(loss) attributable to owners of the parent		152.8	(57.3)

The notes on pages 68 to 109 form an integral part of the consolidated financial statements.

Consolidated balance sheet

	Note	As at 31 March 2018 £m	As at 1 April 2017 £m
ASSETS:			
Non-current assets			
Property, plant and equipment	10	185.2	187.5
Goodwill	11	646.0	650.3
Other intangible assets	12	428.4	464.0
Net retirement benefit assets	20	754.0	593.9
Deferred tax assets	8	–	32.4
		2,013.6	1,928.1
Current assets			
Inventories	14	76.4	71.3
Trade and other receivables	15	74.8	65.1
Cash and cash equivalents	23	23.6	3.1
Derivative financial instruments	18	0.1	0.1
		174.9	139.6
Total assets		2,188.5	2,067.7
LIABILITIES:			
Current liabilities			
Trade and other payables	16	(214.4)	(191.7)
Financial liabilities			
– short term borrowings	17	–	(21.3)
– derivative financial instruments	18	(2.1)	(2.9)
Provisions for liabilities and charges	19	(7.9)	(10.0)
Current income tax liabilities		–	(0.7)
		(224.4)	(226.6)
Non-current liabilities			
Financial liabilities – long term borrowings	17	(520.0)	(505.0)
Net retirement benefit obligations	20	(437.0)	(489.1)
Provisions for liabilities and charges	19	(35.7)	(43.1)
Deferred tax liabilities	8	(12.1)	-
Other liabilities	21	(10.0)	(11.1)
		(1,014.8)	(1,048.3)
Total liabilities		(1,239.2)	(1,274.9)
Net assets		949.3	792.8
EQUITY:			
Capital and reserves			
Share capital	22	84.1	83.3
Share premium	22	1,407.6	1,406.7
Merger reserve	22	351.7	351.7
Other reserves	22	(9.3)	(9.3)
Profit and loss reserve	22	(884.8)	(1,039.6)
Total equity		949.3	792.8

The notes on pages 68 to 109 form an integral part of the consolidated financial statements.

The financial statements on pages 64 to 67 were approved by the Board of directors on 15 May 2018 and signed on its behalf by:

Gavin Darby Chief Executive Officer **Alastair Murray** Chief Financial Officer

Consolidated statement of cash flows

	Note	52 weeks ended 31 March 2018 £m	52 weeks ended 1 Apr 2017 £m
Cash generated from operations	23	89.4	76.8
Interest paid		(39.6)	(41.3)
Interest received		1.6	1.5
Taxation received		1.0	–
Cash generated from operating activities		52.4	37.0
Purchases of property, plant and equipment		(15.8)	(15.1)
Purchases of intangible assets		(3.4)	(5.8)
Sale of property, plant and equipment		1.3	–
Cash used in investing activities		(17.9)	(20.9)
Repayment of borrowings		(197.0)	(34.6)
Proceeds from borrowings		210.0	–
Movement in securitisation funding programme		–	(6.4)
Financing fees		(7.0)	–
Proceeds from share issue		1.2	0.1
Purchase of shares to satisfy share awards		–	(1.1)
Cash generated from/(used) in financing activities		7.2	(42.0)
Net increase/(decrease) in cash and cash equivalents		41.7	(25.9)
Cash, cash equivalents and bank overdrafts at beginning of period		(18.1)	7.8
Cash, cash equivalents and bank overdrafts at end of period	23	23.6	(18.1)

The notes on pages 68 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total equity £m
At 3 April 2016		82.7	1,406.6	351.7	(9.3)	(979.3)	(3.9)	848.5
Profit for the period		–	–	–	–	5.5	–	5.5
Remeasurements of defined benefit schemes	20	–	–	–	–	(76.6)	–	(76.6)
Deferred tax credit	8	–	–	–	–	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	22	–	–	–	–	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
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	20	**–**	**–**	**–**	**–**	**174.8**	**–**	**174.8**
Deferred tax charge	8	**–**	**–**	**–**	**–**	**(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	22	**–**	**–**	**–**	**–**	**2.8**	**–**	**2.8**
Adjustment for issue of share options		**–**	**–**	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Deferred tax movements on share-based payments		**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
At 31 March 2018		**84.1**	**1,407.6**	**351.7**	**(9.3)**	**(884.8)**	**–**	**949.3**

The notes on pages 68 to 109 form an integral part of the consolidated financial statements.

Notes to the financial statements

1. General information

Premier Foods plc (the "Company") is a public limited company incorporated and domiciled in England and Wales, registered number 5160050, with its registered office at Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the "Group") is the manufacture and distribution of branded and own label food products.

Copies of the annual report and accounts are available on our website: http://www.premierfoods.co.uk/investors/results-centre.

These Group consolidated financial statements were authorised for issue by the Board of directors on 15 May 2018.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

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. Amounts are presented to the nearest £0.1m.

The statutory accounting period is the 52 weeks from 2 April 2017 to 31 March 2018 and comparative results are for the 52 weeks from 3 April 2016 to 1 April 2017. All references to the 'period', unless otherwise stated, are for the 52 weeks ended 31 March 2018 and the comparative period, 52 weeks ended 1 April 2017.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The following accounting standards and interpretations, issued by the International Accounting Standards Board ("IASB") or IFRIC (as endorsed by the EU), effective for periods on or after 1 January 2017, have been endorsed by the EU:

International Financial Reporting Standards

Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IAS 7	*Disclosure Initiative*

There has been no material impact on the Group's results, net assets, cash flows and disclosures on adoption of new or revised standards in the period.

The following amendments to published standards, effective for periods on or after 1 January 2018, have been endorsed by the EU:

International Financial Reporting Standards

Amendments to IFRS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Clarifications to IFRS 15	*Revenue from Contracts with Customers*
Amendment to IFRS 15	*Effective date of IFRS 15*
IFRS 16	*Leases*

The following standards and amendments to published standards, effective for periods on or after 1 January 2018, have not been endorsed by the EU:

International Financial Reporting Standards

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 9	*Financial Instruments*
Amendments to IFRS 12	*Disclosure of Interests in Other Entities*

During 2016/17, the Group completed a detailed review of the requirements of IFRS 15 against current accounting policies. As a result of the review, it has been concluded that current accounting policies are materially in line with the new standard. As the business evolves, the Group will continue to review transactions with customers to ensure compliance with IFRS 15 on adoption.

The Group is currently assessing the impact of the other above new standards that are not yet effective and is yet to quantify the potential impact.

Basis for preparation of financial statements on a going concern basis

The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants, as detailed in note 17. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw funding to the Group. The Group was in compliance with its covenant tests as at 30 September 2017 and 31 March 2018. The Group's forecasts, taking into account reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current facilities including covenant tests. Notwithstanding the net current liabilities position of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of Premier Foods plc and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed to or has rights to variable returns from involvement with an investee and has the ability to affect those returns through its power over the investee.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(ii) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The Group's only associate is Hovis Holdings Limited ('Hovis'), the investment for which was previously impaired. The impairment loss is reviewed for possible reversal at each reporting date.

2.3 Revenue

Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to revenue and after eliminating sales within the Group. Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following basis:

(i) Sale of goods

Sales of goods are recognised as revenue on transfer of the risks and rewards of ownership, which typically coincides with the time when the merchandise is delivered to customers and title passes.

(ii) Sales rebates and discounts

Sales related discounts comprise:

- Long term discounts and rebates, which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth.
- Short term promotional discounts, which are directly related to promotions run by customers.

Sales rebates and discount accruals are established at the time of sale based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. Accruals are made for each individual promotion or rebate arrangement and 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. Estimation is required for sales volumes/activity, phasing and the amount of product sold on promotion.

(iii) Commercial income

Commercial income received from suppliers through rebates and discounts are recognised within cost of sales over the period(s) to which the underlying contract or agreement relates. Accrued income is recognised for rebates on contracts covering the current period, for which no cash was received at the balance sheet date. Deferred income is recognised for rebates that were received from suppliers at the balance sheet date but relate to contracts covering future periods.

2.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments. See note 4 for further details.

2.5 Share-based payments

The Group operates a number of equity-settled and share-based compensation plans. The fair value of the employee services received in exchange for the grant of shares or options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of shares or options granted, excluding the impact of any non-market vesting conditions (for example, EPS targets). Non-market vesting conditions are included in assumptions about the number of shares or options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of shares or options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

2.6 Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the subsidiaries at rates of exchange ruling at the end of the financial period.

The results of overseas subsidiaries with functional currencies other than in sterling are translated into sterling at the average rate of exchange ruling in the period. The balance sheets of overseas subsidiaries are translated into sterling at the closing rate. Exchange differences arising from retranslation at the period end exchange rates of the net investment in foreign subsidiaries are recorded as a separate component of equity in reserves.

All other exchange gains or losses are recorded in the statement of profit or loss.

Notes to the financial statements

2.7 Property, plant and equipment ("PPE")

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment.

PPE is initially recorded at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent expenditure is added to the carrying value of the asset when it is probable that incremental future economic benefits will transfer to the Group. All other subsequent expenditure is expensed in the period it is incurred.

Differences between the cost of each item of PPE and its estimated residual value are written off over the estimated useful life of the asset using the straight-line method. Reviews of the estimated remaining useful lives and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. Freehold land is not depreciated. The useful economic lives of owned assets range from 15 to 50 years for buildings, 5 to 30 years for plant and equipment and 10 years for vehicles.

All items of PPE are reviewed for impairment when there are indications that the carrying value may not be fully recoverable.

Assets under construction represent the amount of expenditure recognised in the course of its construction. Directly attributable costs that are capitalised as part of the PPE include the employee costs and an appropriate portion of relevant overheads. When the item of PPE is available for use, it is depreciated.

The carrying value relating to disposed assets is written off to profit or loss on disposal of PPE.

2.8 Intangible assets

In addition to goodwill, the Group recognises the following intangible assets:

Acquired intangible assets

Acquired brands, trademarks and licences that are controlled through custody or legal rights and that could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. All of these assets are considered to have finite lives and are amortised on a straight-line basis over their estimated useful economic lives that range from 20 to 40 years for brands and trademarks and 10 years for licences.

Software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the project or process is technically and commercially feasible. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Software development costs are amortised over their estimated useful lives on a straight-line basis over a range of 3 to 10 years.

The useful economic lives of intangible assets are determined based on a review of a combination of factors including the asset ownership rights acquired and the nature of the overall product life cycle. Reviews of the estimated remaining useful lives and residual values of individual intangible assets are performed annually.

Research

Research expenditure is charged to the statement of profit or loss in the period in which it is incurred.

2.9 Impairment

The carrying values of non-financial assets, other than goodwill and inventories, are reviewed at least annually to determine whether there is an indication of impairment. Assets that are subject to amortisation are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets, other than goodwill, that have suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Where an indication of impairment exists, the recoverable amount is estimated based on the greater of its value in use and its fair value less costs to sell. In assessing the fair value less costs to sell, the market approach is often used to derive market multiples from a set of comparative assets.

Impairment losses are recognised in the statement of profit or loss in the period in which they occur.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets.

2.10 Finance cost and income

Finance cost

Borrowing costs are accounted for on an accruals basis in the statement of profit or loss using the effective interest method.

Finance income

Finance income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable, taking into consideration the interest element of derivatives.

2.11 Leases

Assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are capitalised and included in property, plant and equipment at the lower of the present value of future minimum lease payments or fair value. Each asset is depreciated over the shorter of the lease term or its estimated useful life on a straight-line basis. Obligations relating to finance leases, net of finance charges in respect of future periods, are included under borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental costs under operating leases, net of any incentives received from the lessor, are charged to the statement of profit or loss on a straight-line basis over the lease period.

2.12 Inventories

Inventory is valued at the lower of cost and net realisable value. Where appropriate, cost includes production and other attributable overhead expenses as described in IAS 2 Inventories. Cost is calculated on a first-in, first-out basis by reference to the invoiced value of supplies and attributable costs of bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

All inventories are reduced to net realisable value where the estimated selling price is lower than cost.

A provision is made for slow moving, obsolete and defective inventory where appropriate.

2.13 Taxation

Income tax on the profit or loss for the period comprises current and deferred tax.

Current tax

Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in other comprehensive income ("OCI") in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

Deferred tax

Deferred taxation is accounted for in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred taxation is not provided on the initial recognition of an asset or liability in a transaction, other than in a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

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 at the balance sheet date. It 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

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 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 8.

Notes to the financial statements

2.14 Employee benefits

Group companies provide a number of long-term employee benefit arrangements, primarily through pension schemes. The Group has both defined benefit and defined contribution plans.

Defined benefit plans

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for remeasurement and past service costs. Defined benefit obligations are calculated using assumptions determined by the Group with the assistance of independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

Past service costs, administration costs, and the net interest on the net defined benefit surplus are recognised immediately in the statement of profit or loss.

Curtailments are recognised as a past service cost when the Group makes an significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan so that a significant element of future service by current employees no longer qualifies or qualify for amended benefits.

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 information.

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

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, which then invests the contributions to buy annuities for the pension liabilities as they become due based on the value of the fund. The Group has no legal or constructive obligations to pay further contributions.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit or loss as they fall due. Differences between contributions payable in the period and contributions actually paid are recognised as either accruals or prepayments in the balance sheet.

2.15 Provisions

Provisions (for example restructuring or property exit costs) are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate of the amount can be made. In the case of where the Group expects a provision to be reimbursed, for example under an insurance contract, and the reimbursement is virtually certain, the Group does not recognise a provision. Where material, the Group discounts its provisions using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

2.16 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. A provision is made for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. Trade and other receivables are discounted when the time value of money is considered material.

Cash and cash equivalents

Cash and cash equivalents, with original maturities at inception of less than 90 days, comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents also include bank overdrafts.

Bank borrowings

Interest-bearing bank loans and overdrafts are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs and inclusive of debt issuance costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost. Trade payables and other liabilities are discounted when the time value of money is considered material.

Equity instruments

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs.

Derivative financial instruments

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the statement of profit or loss. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Movements in fair value of foreign exchange derivatives are recognised within operating profit and those relating to interest rate swaps are recorded within the net movement on fair valuation of interest rate financial instruments.

2.17 Deferred income

Deferred income is recognised and released over the period to which the relevant agreement relates.

3. Critical accounting policies, estimates and judgements

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

3.1 Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members. Each of the underlying assumptions is set out in more detail in note 20.

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

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

3.2 Goodwill and other intangible assets

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

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

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the value in use calculations of the CGUs carrying values for the purposes of testing goodwill. See note 11 for further details.

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. For further details see note 2.9 and note 12.

3.3 Commercial arrangements

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

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

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

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

Notes to the financial statements

4. Segmental analysis

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

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

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

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

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

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

Revenues in the period ended 31 March 2018, from the Group's four principal customers, which individually represent over 10% of total revenue, are £179.7m, £118.1m, £87.7m and £87.6m (Period ended 1 April 2017: £172.7m, £115.4m, £95.2m and £84.6m).

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

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

Non-current assets

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
United Kingdom	2,013.6	1,928.1

5. Operating profit

5.1 Analysis of costs by nature

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Employee benefits expense (note 6)	(149.8)	(157.9)
Depreciation of property, plant and equipment (note 10)	(16.6)	(16.2)
Amortisation of intangible assets (note 12)	(36.3)	(37.9)
Impairment of goodwill (note 11)	(4.3)	–
Impairment of intangible assets (note 12)	(2.2)	–
Loss on disposal of non-current assets	(0.1)	(0.8)
Operating lease rental expenditure	(3.5)	(4.0)
Repairs and maintenance expenditure	(24.0)	(25.9)
Research and development costs	(6.3)	(7.7)
Net foreign exchange (loss) / gain	(0.1)	0.2
Restructuring costs	(8.5)	(15.8)
Auditor remuneration (note 5.2)	(0.4)	(0.4)

Operating lease commitments are further disclosed in note 24.

Notes to the financial statements

5. Operating profit continued

5.2 Auditor remuneration

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Fees payable to the Group's auditor for the audit of the consolidated and parent company accounts of Premier Foods plc	(0.3)	(0.3)
Fees payable to the Group's auditor and its associates for other services:		
– The audit of the Group's subsidiaries, pursuant to legislation	(0.1)	(0.1)
– Other services relating to taxation	–	–
– Services relating to corporate finance transactions	(0.1)	–
Total auditor remuneration	(0.5)	(0.4)

The total operating profit charge for auditor remuneration was £0.4m (2016/17: £0.4m).

6. Employees

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Employee benefits expense		
Wages and salaries	(126.2)	(131.3)
Social security costs	(11.8)	(12.7)
Termination benefits	(2.9)	(3.9)
Share options granted to directors and employees[1]	(2.8)	(3.9)
Contributions to defined contribution schemes (note 20)	(6.1)	(6.1)
Total	(149.8)	(157.9)

1. In 2016/17 this excluded £0.6m of accelerated share based payments charges which have been charged to restructuring costs. The total expense for share options granted to directors and employees was £4.5m.

Average monthly number of people employed (including executive and non-executive directors):

	2017/18 Number	2016/17 Number
Average monthly number of people employed		
Management	558	632
Administration	439	463
Production, distribution and other	3,056	3,037
Total	4,053	4,132

Directors' remuneration is disclosed in the audited section of the Directors Remuneration Report on pages 47 to 56, which form part of these consolidated financial statements.

7. Finance income and costs

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

2. Included in other interest payable is £0.4m credit (2016/17: £5.6m charge) relating to the unwind of the discount on certain of the Group's long term provisions.
3. Relates to the refinancing of the floating rate note and extension of the revolving credit facility in the period ended 31 March 2018.

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

8. Taxation

Current tax

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

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

Notes to the financial statements

8. Taxation continued

Tax relating to items recorded in other comprehensive income included:

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

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

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

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

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

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

Deferred tax

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

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

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

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

Deferred tax liabilities

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

Deferred tax assets

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

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

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

Notes to the financial statements

9. Earnings per share

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

Weighted average shares

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

Earnings per share calculation

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

Dilutive effect of share options

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

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

Adjusted earnings per share ("Adjusted EPS")

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

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

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

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

10. Property, plant and equipment

	Land and buildings £m	Vehicles, plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 2 April 2016	101.7	274.6	9.6	385.9
Additions	0.7	6.3	9.7	16.7
Disposals	(0.9)	(1.3)	–	(2.2)
Transferred into use	0.5	5.0	(5.5)	–
At 1 April 2017	**102.0**	**284.6**	**13.8**	**400.4**
Additions	2.6	4.8	7.9	15.3
Disposals	–	(5.1)	(2.8)	(7.9)
Transferred into use	0.4	7.5	(7.9)	–
At 31 March 2018	**105.0**	**291.8**	**11.0**	**407.8**
Aggregate depreciation and impairment				
At 2 April 2016	(37.5)	(157.8)	(2.8)	(198.1)
Depreciation charge	(1.9)	(14.3)	–	(16.2)
Disposals	0.4	1.0	–	1.4
At 1 April 2017	(39.0)	(171.1)	(2.8)	(212.9)
Depreciation charge	(2.4)	(14.2)	–	(16.6)
Disposals	–	4.1	2.8	6.9
At 31 March 2018	**(41.4)**	**(181.2)**	**–**	**(222.6)**
Net book value				
At 1 April 2017	63.0	113.5	11.0	187.5
At 31 March 2018	**63.6**	**110.6**	**11.0**	**185.2**

The Group's borrowings are secured on the assets of the Group including property, plant and equipment.

Notes to the financial statements

11. Goodwill

	As at 31 March 2018 £m	As at 1 April 2017 £m
Carrying value		
Opening balance	650.3	649.8
Fair value adjustments on acquisition of subsidiary	–	0.5
Impairment charge	(4.3)	–
Closing balance	646.0	650.3

Goodwill attached to each of the Group's CGUs is as follows:

	As at 31 March 2018 £m	As at 1 April 2017 £m
Grocery	646.0	646.0
Knighton	–	4.3
Net carrying value of goodwill	646.0	650.3

Key assumptions

The key assumptions for calculating value in use are cash flows, long term growth rate and discount rate.

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on the latest Board approved budget for the first year, the latest Board approved forecasts in respect of the following two years and a fourth year approximating steady state is included. An estimate of capital expenditure required to maintain these cash flows is also made.

The key assumptions when forecasting cash flows are revenue growth and divisional contribution margin.

Revenue growth is forecast based on known or forecast customer sales initiatives, including, to the extent agreed, customer business plans or agreements for the next period, current and forecast new product development, promotional and marketing strategy, and specific category or geographical growth. External factors, including the consumer environment, are also taken into account in the more short term forecasts. The compound annual growth rate over the three year forecast period is 2.2% (2016/17: 0.5%).

Divisional contribution margin is forecast based on the projected mix of branded and non-branded sales, supply chain costs, raw material input costs, purchasing initiatives and selling costs.

Long term growth rate assumptions

For the purposes of impairment testing, the cash flows are extrapolated into perpetuity using growth assumptions relevant for the business sector. The growth rate applied of 1.75% (2016/17: 2.00%) is based on the long term growth in UK GDP as the directors expect food consumption to follow GDP growth. This is not considered to be higher than the average long-term industry growth rate. The long term growth rate is common to all CGUs.

Discount rate assumptions

The discount rate applied to the cash flows is calculated using a pre-tax rate based on the weighted average cost of capital (“WACC”) which would be anticipated for a market participant investing in the Group. The Directors believe it is appropriate to use a single common discount rate for all impairment testing as each CGU shares similar risk profiles.

The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. At 31 March 2018, the pre-tax rate used to discount the forecasted cash flows has been determined to be 9.8% (2016/17: 9.8%).

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Sensitivity analysis

An illustration of the sensitivity to reasonably possible changes in key assumptions in the impairment test for the Grocery CGU is as follows:

	Reasonably possible change in assumption	Impact on value in use
Revenue growth	Increase/decrease by 2.0%	Increase/decrease by £58.9m/£60.7m
Divisional contribution margin	Increase/decrease by 2.0%	Increase/decrease by £128.3m/£128.4m
Long term growth rate	Increase/decrease by 0.4%	Increase/decrease by £71.5m/£63.2m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £91.3m/£106.3m

Under each of the above sensitivities no individual scenario would trigger an impairment for the Grocery CGU.

Impairment charge

An impairment charge of £6.5m was recognised during the period (2016/17: £nil). This comprised of a £4.3m write off of goodwill relating to Knighton Foods Investments Limited ("Knighton") and a £2.2m impairment of intangible assets. See note 12 for further details. The goodwill impairment related to Knighton and reflects the challenging trading conditions faced by the business. The impairment of intangible assets reflects the challenging market conditions faced by the Lyons brand.

12. Other intangible assets

	Software £m	Brands/ trademarks/ licences £m	Customer relationships £m	Assets under construction £m	Total £m
Cost					
At 2 April 2016	128.3	693.2	134.8	2.8	959.1
Additions	2.1	–	–	3.8	5.9
Transferred into use	2.5	–	–	(2.5)	–
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**
Accumulated amortisation and impairment					
At 2 April 2016	(83.3)	(245.0)	(134.8)	–	(463.1)
Amortisation charge	(12.2)	(25.7)	–	–	(37.9)
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)**
Net book value					
At 1 April 2017	37.4	422.5	–	4.1	464.0
At 31 March 2018	**30.0**	**397.1**	**–**	**1.3**	**428.4**

All amortisation is recognised within administrative costs.

Included in the assets under construction additions for the period are £0.4m (2016/17: £1.3m) of internal costs.

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

Notes to the financial statements

12. Other intangible assets continued

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

	Carrying value at 31 March 2018 £m	Estimated useful life remaining Years
Bisto	113.8	19
Oxo	77.9	29
Batchelors	59.3	19
Sharwoods	53.7	19
Mr Kipling	44.1	19

13. Investments

In accordance with Section 409 of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, a full list of subsidiary undertakings, associate undertakings and joint operations (showing the country of incorporation, registered address and effective percentage of equity shares held) as at 31 March 2018 is disclosed below.

Company	% Held by Parent Company of the Group	% held by Group companies, if different	Share Class	Country	Registered Address
Premier Foods Investments No.1 Limited	100%	N/A	£1.00 Ordinary shares	England & Wales	Premier House Griffiths Way
Premier Foods Investments Limited	0%	100%	£1.00 Ordinary shares		St Albans Hertfordshire
Premier Foods Finance plc	0%	100%	£1.00 Ordinary shares		AL1 2RE
RHM Limited	0%	100%	£0.001 Ordinary-a shares		
RHM Group Holding Limited	0%	100%	£0.10 Ordinary shares		
RHM Group Two Limited	0%	100%	£0.01 Ordinary shares		
RHM Group Three Limited	0%	100%	£0.01 Ordinary shares		
Premier Foods Group Services Limited	0%	100%	£0.01 Ordinary shares		
Premier Foods Group Limited	0%	100%	£0.25 Ordinary shares		
Centura Foods Limited	0%	100%	£1.20 Ordinary shares		
Premier Foods (Holdings) Limited	0%	100%	£1.00 Ordinary shares		
H.L. Foods Limited	0%	100%	£1.00 Ordinary shares		
Hillsdown Europe Limited	0%	100%	£2.90 Ordinary shares		
Premier Financing Limited	0%	100%	£1.00 Ordinary shares		
CH Old Co Limited	0%	100%	£1.00 Ordinary shares		
Hillsdown International Limited	0%	100%	£1.00 Ordinary shares		
Premier International Foods UK Limited	0%	100%	£1.00 Ordinary shares		
RH Oldco Limited	0%	100%	£1.00 Ordinary shares		
Alpha Cereals Unlimited	0%	100%	£0.05 Ordinary shares		
RHM Frozen Foods Limited	0%	100%	£1.00 Ordinary shares		
RHM Overseas Limited	0%	100%	£1.00 Ordinary shares		
Knighton Foods Investments Limited	0%	100%	£1.00 Ordinary shares		
Knighton Foods Limited	0%	100%	£1.00 Ordinary shares		
Knighton Foods Properties Limited	0%	100%	£1.00 Ordinary shares		

Company	% Held by Parent Company of the Group	% held by Group companies, if different	Share Class	Country	Registered Address
Hovis Holdings Limited	0%	49%	£0.01 Ordinary shares		
Hovis Limited	0%	49%	£0.01 Ordinary shares		
00241018 Limited	0%	100%	£1.00 Ordinary shares		
DFL Oldco Limited	0%	100%	£1.00 Ordinary shares		
F.M.C. (Meat) Limited	0%	100%	£0.25 Ordinary shares		
Haywards Foods Limited	0%	100%	£1.00 Ordinary shares		
Kings Norton No.5 Limited	0%	100%	£1.00 Ordinary shares		
RLP Old Co Limited	0%	100%	£1.00 Ordinary shares		
Vic Hallam Holdings Limited	0%	100%	£0.25 Ordinary shares		
W & J B Eastwood Limited	0%	100%	£1.00 Ordinary shares		
Citadel Insurance Company Limited	0%	100%	£1.00 Ordinary Shares	Isle of Man	Ioma House Hope Street Douglas Isle of Man IM1 1AP
Daltonmoor Limited	0%	100%	£1.00 Ordinary shares	England & Wales	2 Woolgate Court St Benedicts Street Norwich Norfolk NR2 4AP
Diamond Foods Lebensmittelhandel GmbH	0%	100%	€0.5113 Ordinary shares	Germany	Cecilienallee 6 Dusseldorf 40474 Germany
Premier Brands Limited	0%	100%	£1.00 Ordinary shares	Scotland	Summit House 4-5 Mitchell Street Edinburgh Scotland EH6 7BD
Premier Foods, Inc.	0%	100%	USD$0.01 Common Stock shares	United States	The Corporation Trust Company Corporation Trust Centre 1209 Orange Street DE 19801, USA
Premier Grocery Products Ireland Limited Premier Foods Ireland Manufacturing Limited	0%	100%	€1.00 Ordinary shares €1.26 Ordinary shares	Ireland	25-28 North Wall Quay Dublin 1 Ireland

14. Inventories

	As at 31 March 2018 £m	As at 1 April 2017 £m
Raw materials	12.4	13.8
Work in progress	1.7	2.9
Finished goods and goods for resale	62.3	54.6
Total inventories	76.4	71.3

Inventory write-offs in the period amounted to £4.6m (2016/17: £4.7m).

The borrowings of the Group are secured against all the assets of the Group including inventories.

Notes to the financial statements

15. Trade and other receivables

	As at 31 March 2018 £m	As at 1 April 2017 £m
Trade receivables	58.0	53.8
Trade receivables provided for	(4.4)	(6.7)
Net trade receivables	53.6	47.1
Prepayments	13.5	12.5
Other tax and social security receivable	4.7	5.1
Other receivables	3.0	0.4
Total trade and other receivables	**74.8**	65.1

The borrowings of the Group are secured against all the assets of the Group including trade and other receivables.

During 2016, the Group entered into a Receivables Financing Agreement pursuant to which the Group assigns various receivables owed to it in return for funding. Receivables are only eligible for sale if they meet certain criteria. The facility limit is £30 million. As at 31 March 2018, £30 million was drawn (2016/17: £30 million).

16. Trade and other payables

	As at 31 March 2018 £m	As at 1 April 2017 £m
Trade payables	(133.8)	(132.5)
Commercial accruals	(46.2)	(38.6)
Tax and social security payables	(4.7)	(5.0)
Other payables and accruals	(29.7)	(15.6)
Total trade and other payables	**(214.4)**	(191.7)

17. Bank and other borrowings

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

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

Senior secured notes

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

Revolving credit facility

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

The covenant package attached to the revolving credit facility is:

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

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

18. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (arising from adverse movements in foreign currency, commodity prices and interest rates), credit risk and liquidity risk. The Group uses a variety of derivative financial instruments to manage certain of these risks. The management of these risks, along with the day-to-day management of treasury activities is performed by the Group Finance function. The policy framework governing the management of these risks is defined by the Board. The framework for management of these risks is incorporated into a policies and procedures manual.

The Group also enters into contracts with suppliers for its principal raw material requirements, some of which are considered commodities, diesel and energy. These commodity and energy contracts are part of the Group's normal purchasing activities. Some of the risk relating to diesel is mitigated with the use of derivative financial instruments. The Treasury Risk Management Committee monitors and reviews the Group's foreign currency exchange, commodity price and energy price exposures and recommends appropriate hedging strategies for each.

(a) Market risk

i) Foreign exchange risk

The Group's main operating entities' functional currency and the Group's presentational currency is sterling although some transactions are executed in non-sterling currencies, principally the euro. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against sterling. Management of these exposures is centralised and managed by the Group Finance Function. It is the Group's policy to manage the exposures arising using forward foreign currency exchange contracts and currency options. Hedge accounting is not sought for these transactions.

The Group generates some of its profits in non-sterling currencies and has assets in non-sterling jurisdictions, principally the euro.

The principal foreign currency affecting the translation of subsidiary undertakings within the Group financial statements is the euro. The rates applicable are as follows:

Principal rate of exchange: euro/sterling	**52 weeks ended 31 March 2018**	52 weeks ended 1 April 2017
Period ended	**1.1406**	1.1695
Average	**1.1336**	1.1903

The majority of the Group's assets and liabilities are denominated in the functional currency of the relevant subsidiary.

Notes to the financial statements

18. Financial instruments continued

The table below shows the Group's currency exposures as at 31 March 2018 and 1 April 2017 that gave rise to net currency gains and losses recognised in the consolidated statement of profit or loss as a result of monetary assets and liabilities that are not denominated in the functional currency of the subsidiaries involved.

	Functional currency of subsidiaries – Sterling	
	As at 31 March 2018 £m	As at 1 April 2017 £m
Net foreign currency monetary assets:		
– Euro	**(8.2)**	(7.1)
– US dollar	**(0.0)**	0.8
Total	**(8.2)**	(6.3)

In addition the Group also has forward foreign currency exchange contracts outstanding at the period end in order to manage the exposures above but also to hedge future transactions in foreign currencies. The sterling nominal amounts outstanding are as follows:

	As at 31 March 2018 £m	As at 1 April 2017 £m
Euro	**(33.2)**	(34.9)
Total	**(33.2)**	(34.9)

Sensitivities are disclosed below using the following reasonably possible scenarios:

If the US dollar were to weaken against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would remain constant (2016/17: £0.1m increase).

If the US dollar were to strengthen against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would remain constant (2016/17: £0.1m decrease).

If the euro were to weaken against sterling by 10 euro cents, with all other variables held constant, profit after tax would decrease by £2.1m (2016/17: £1.8m decrease).

If the euro were to strengthen against sterling by 10 euro cents, with all other variables held constant, profit after tax would increase by £2.5m (2016/17: £2.1m increase).

This is primarily driven by the effect on the mark to market valuation of the foreign exchange derivatives of the Group where the hedged rates differ from the spot rate.

(ii) Commodity price risk

The Group purchases a variety of commodities for use in production and distribution which can experience significant price volatility, which include, inter-alia, dairy, wheat, cocoa, edible oils, diesel and energy. The price risk on these commodities is managed by the Group through the Treasury Risk Management Committee. It is the Group's policy to minimise its exposure to this volatility by adopting an appropriate forward purchase strategy or by the use of derivative instruments where they are available.

(iii) Interest rate risk

The Group's borrowing facilities comprise senior secured notes and a revolving facility, in sterling. Interest is charged at floating rates plus a margin on the amounts drawn down, and at 40% for the non-utilised portion of the facility, hence the borrowings are sensitive to changes in interest rates.

The Group then seeks to mitigate the effect of adverse movements in interest rates by entering into derivative financial instruments that reduce the level of exposure to floating rates. The target of fixed/capped debt is defined in the Group Treasury policy and procedures, however, the amount hedged can be amended subject to agreement by the Board. Hedge accounting is not sought for these transactions.

The gross cash flows on the interest rate derivatives are sensitive to changes in interest rates as they are driven by three month LIBOR which is reset on a quarterly basis. As at 31 March 2018 the reset rate was 0.52125% (2016/17: 0.3439%), however this has no impact as the interest rate derivatives expired in December 2017.

The weighted average interest rate for these derivative financial instruments is as follows:

	Weighted average interest rate %
52 weeks ended 31 March 2018	**1.4**
52 weeks ended 1 April 2017	1.4

In the year, fixed rate derivative financial liabilities constituted two floating to fixed interest rate swaps with a notional value of £25m each and a total notional value of £50m. These matured in December 2017.

Cash and deposits earn interest at floating rates based on banks' short-term treasury deposit rates. Short-term trade and other receivables are interest-free.

At 31 March 2018, for every 50 basis points reduction in rates below the last floating reset rate of 0.7859% (2016/17: 0.3439%) (based on three month LIBOR) with all other variables held constant, annualised net interest expense would decrease by £1.1m (2016/17: £0.6m decrease).

At 31 March 2018, if interest rates were 200 basis points higher than the last floating reset rate of 0.7859% (2016/17: 0.3439%) (based on three month LIBOR), with all other variables held constant, annualised net interest expense would increase by £4.2m (2016/17: £2.4m increase).

The Group's other financial assets and liabilities are not exposed to material interest rate risk.

(b) Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Cash and cash equivalents are deposited with high-credit quality financial institutions and although a significant amount of sales are to a relatively small number of customers these are generally the major grocery retailers whose credit risk is considered low.

At 31 March 2018, trade and other receivables of £12.9m (2016/17: £15.4m) were past due but not impaired. These relate to customers with whom there is no history of default.

The ageing of trade and other receivables was as follows:

		Past due					
	Fully performing £m	1-30 days £m	31-60 days £m	61-90 days £m	91-120 days £m	120+ days £m	Total £m
Trade and other receivables							
As at 31 March 2018	**43.7**	**8.2**	**1.8**	**0.4**	**0.9**	**1.6**	**56.6**
As at 1 April 2017	32.1	10.4	3.0	0.1	0.3	1.6	47.5

At 31 March 2018, trade and other receivables of £4.4m (2016/17: £6.7m) were determined to be specifically impaired and provided for. The total includes receivables from customers which are considered to be experiencing difficult economic situations.

The Group does not hold any collateral as security against its financial assets.

Movements in the provision for impairment of trade receivables are as follows:

	2017/18 £m	2016/17 £m
As at 2 April 2017 / 3 April 2016	**6.7**	19.8
Receivables written off during the period as uncollectable	**(3.5)**	(16.7)
Provision for receivables impairment raised	**1.2**	3.6
As at 31 March 2018 /1 April 2017	**4.4**	6.7

Notes to the financial statements

18. Financial instruments continued

(c) Liquidity risk

The Group manages liquidity risk through the Group Finance function. Cash flow forecasts are prepared and reviewed on a weekly basis, normally covering a period of three months.

In addition, cash flow forecasts are prepared as part of the Group's overall budgeting and forecasting processes and performance is monitored against this each month. This is intended to give the Board sufficient forward visibility of debt levels.

The Group's net debt level can vary from month to month and there is some volatility within months. This reflects seasonal trading patterns, timing of receipts from customers and payments to suppliers, patterns of inventory holdings and the timing of the spend on major capital and restructuring projects. For these reasons the debt levels at the period end date may not be indicative of debt levels at other points throughout the period.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the contractual undiscounted cash flows.

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 31 March 2018							
Trade and other payables	**(209.7)**	**–**	**–**	**–**	**–**	**–**	**(209.7)**
Senior secured notes – fixed	**–**	**–**	**(325.0)**	**–**	**–**	**–**	**(325.0)**
Senior secured notes – floating	**–**	**–**	**–**	**-**	**(210.0)**	**–**	**(210.0)**
At 1 April 2017							
Trade and other payables	(186.7)	–	–	–	–	–	(186.7)
Bank overdraft	(21.2)	–	–	–	–	–	(21.2)
Senior secured notes – fixed	–	–	–	(325.0)	–	–	(325.0)
Senior secured notes – floating	–	–	(175.0)	–	–	–	(175.0)
Secured senior credit facility – revolving	–	(22.0)	–	–	–	–	(22.0)
Finance lease obligations	(0.1)	–	–	–	–	–	(0.1)

The senior secured notes – floating and secured senior credit facility – revolving are re-priced quarterly to LIBOR, and other liabilities are not re-priced before the maturity date.

At 31 March 2018 the Group had £202m (2016/17: £220m) of facilities not drawn, £34m expiring in less than one year and £168m expiring between two and three years (2016/17: one and two years).

The borrowings are secured by a fixed and floating charge over all the assets of the Group.

The following table analyses the contractual undiscounted cash flows of interest on the floating rate debt to maturity (based on the last fixed rate reset of 0.7859% (2016/17: 0.3439%) plus applicable margin).

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 31 March 2018	**13.1**	**13.1**	**12.8**	**12.2**	**4.1**	**–**	**55.3**
At 1 April 2017	10.3	9.5	9.4	–	–	–	29.2

The following table analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 31 March 2018							
Forward foreign exchange contracts:							
– Outflow	**(33.1)**	**–**	**–**	**–**	**–**	**–**	**(33.1)**
– Inflow	**32.7**	**–**	**–**	**–**	**–**	**–**	**32.7**
Commodities:							
– Outflow	**(0.6)**	**–**	**–**	**–**	**–**	**–**	**(0.6)**
Total derivative financial instruments	**(1.0)**	**–**	**–**	**–**	**–**	**–**	**(1.0)**
At 1 April 2017							
Forward foreign exchange contracts:							
– Outflow	(34.9)	–	–	–	–	–	(34.9)
– Inflow	34.4	–	–	–	–	–	34.4
Commodities:							
– Outflow	(1.8)	–	–	–	–	–	(1.8)
Interest rate swaps:							
– Outflow	(0.7)	–	–	–	–	–	(0.7)
– Inflow	0.2	–	–	–	–	–	0.2
Total derivative financial instruments	(2.8)	–	–	–	–	–	(2.8)

The above table incorporates the contractual cash flows of the interest rate derivatives with floating rates of interest calculated based on LIBOR of 0.7859% (2016/17: 0.3439%).

Notes to the financial statements

18. Financial instruments continued

(d) Fair value

The following table shows the carrying amounts (which approximate to fair value except as noted below) of the Group's financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Set out below is a summary of methods and assumptions used to value each category of financial instrument.

	As at 31 March 2018		As at 1 April 2017	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loans and receivables:				
Cash and cash equivalents	23.6	23.6	3.1	3.1
Trade and other receivables	56.6	56.6	47.5	47.5
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
– Commodity and energy derivatives	0.1	0.1	0.1	0.1
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	(0.4)	(0.4)	(0.5)	(0.5)
– Interest rate swaps	–	–	(0.4)	(0.4)
Other financial liabilities	(1.7)	(1.7)	(2.0)	(2.0)
Financial liabilities at amortised cost:				
Trade and other payables	(209.7)	(209.7)	(186.7)	(186.7)
Senior secured notes	(535.0)	(539.3)	(500.0)	(502.9)
Senior secured credit facility – revolving	–	–	(22.0)	(22.0)
Bank overdraft	–	–	(21.2)	(21.2)
Finance lease obligations	–	–	(0.1)	(0.1)

The following table presents the Group's assets and liabilities that are measured at fair value using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at 31 March 2018		As at 1 April 2017	
	Level 1 £m	Level 2 £m	Level 1 £m	Level 2 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
– Commodity derivatives	–	0.1	–	0.1
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	–	(0.4)	–	(0.5)
– Interest rate swaps	–	–	–	(0.4)
Other financial liabilities	–	(1.7)	–	(2.0)
Financial liabilities at amortised cost:				
Senior secured notes	(539.3)	–	(502.9)	–

Fair value estimation

Derivatives

Forward exchange contracts are marked to market using prevailing market prices. Hedge accounting has not been applied to forward contracts and as a result the movement in the fair value of £0.1m has been credited to the statement of profit or loss in the period (2016/17: £2.1m charge).

Commodity derivatives are marked to market using prevailing prices and are also not designated for hedge accounting. As a result the fair value movement of £nil has been credited to the statement of profit or loss (2016/17: £1.1m credit).

Interest rate swaps are marked to market using prevailing market prices. Interest rate swaps are also not designated for hedge accounting. As a result the movement in the fair value of £0.4m has been credited to the statement of profit or loss in the period (2016/17: £0.6m credit). The interest rate swaps expired in December 2017.

Short and long term borrowings, loan notes and interest payable

Fair value is calculated based on discounted expected future principal and interest rate cash flows. The fair value of the floating rate debt approximates the carrying value above.

Trade and other receivables/payables

The carrying value of receivables/payables with a remaining life of less than one year is deemed to reflect the fair value given their short maturity. The fair values of non-current receivables/payables are also considered to be the same as the carrying value due to the size and nature of the balances involved.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or sell assets to reduce debt.

The directors do not recommend the payment of a dividend for the period ended 31 March 2018 (2016/17: £nil).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at the balance sheet date were as follows:

	As at 31 March 2018 £m	As at 1 April 2017 £m
Total borrowings	**(520.0)**	(526.3)
Less cash and bank deposits	**23.6**	3.1
Net debt	**(496.4)**	(523.2)
Total equity	**(949.3)**	(792.8)
Total capital	**(1,445.7)**	(1,316.0)
Gearing ratio	**34%**	40%

Gearing is lower year on year due to a higher Pension Scheme surplus and lower debt levels.

Under the Group's financing arrangement, the Group is required to meet two covenant tests which are calculated and tested on a 12 month rolling basis at the half year and full year, each year. The Group has complied with these tests at 30 September 2017 and 31 March 2018.

Notes to the financial statements

18. Financial instruments continued

(f) Financial compliance risk

Risk

The Group continues to operate with a high level of net debt of £496.4m (2016/17: £523.2m) and is subject to operating within banking covenants set out in its refinancing agreement agreed with its banking syndicate, which include net debt/EBITDA and EBITDA/interest covenant tests. 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 their funding to the Group.

In addition to covenant compliance the Group must ensure that it manages its liquidity such that it has sufficient funds to meet its obligations as they fall due.

It also supports three defined benefit pension schemes in the UK; two of the three schemes have significant technical funding deficits which could have an adverse impact on the financial condition of the Group.

Mitigation

The Group has financing arrangements which provide funding until between 2020 and 2022.

The Group reviews its performance on an ongoing basis and formally tests and reports on covenant compliance to the Group's banking syndicate at each reporting date. In the event of a forecast covenant breach the Group would seek a covenant waiver or amendment from its banking syndicate.

The Group manages liquidity risk through the Group Finance function. Cash flow forecasts are prepared and reviewed on a weekly basis, normally covering a period of three months. In addition, cash flow forecasts are prepared as part of the Group's overall budgeting and forecasting processes and performance is monitored against this each month.

Funding agreements have been reached with the trustees of the pension schemes which fixes deficit contributions until the finalisation of the next triennial valuations due in March / April 2019, subject to amendment in the event that the Company recommences payment of dividends. The Group continues to monitor the pension risks closely, working with the trustees to ensure a collaborative approach.

19. 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 are not included in note 24 and will be incurred over a number of years in accordance with the length of the leases. Other provisions primarily relate to insurance claims and provisions for restructuring costs. These provisions have been discounted at rates between 0.99% and 1.77% (2016/17: 0.3% and 1.72%). 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 2 April 2016	(32.8)	(20.8)	(53.6)
Utilised during the period	1.3	4.4	5.7
Additional charge in the period	(1.5)	(5.7)	(7.2)
Unwind of discount	(5.6)	–	(5.6)
Released during the period	4.6	3.1	7.7
Retranslation of foreign currency balances	–	(0.1)	(0.1)
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)**

Analysis of total provisions:

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

20. Retirement benefit schemes

Defined benefit schemes

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

(a) The Premier schemes, which comprise:

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

(b) The RHM schemes, which comprise:

RHM Pension Scheme
Premier Foods Ireland Pension Scheme

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

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

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

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

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

Notes to the financial statements

20. Retirement benefit schemes continued

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

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

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

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

All pension schemes are closed to future accrual.

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

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

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

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

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

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

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

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

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

Notes to the financial statements

20. Retirement benefit schemes continued

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

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

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

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

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

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

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

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

Notes to the financial statements

20. Retirement benefit schemes continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defined contribution schemes

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

Notes to the financial statements

21. Other liabilities

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

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

22. Reserves and share capital

Share premium

The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief applies, less subsequent realised losses relating to those acquisitions.

Other reserves

Other reserves comprise the hedging reserve, which represents the effective portion of the gains or losses on derivative financial instruments that have historically been designated as hedges.

Profit and loss reserve

The profit and loss reserve represents the cumulative profit or loss and the own shares reserve which represents the cost of shares in Premier Foods plc, purchased in the market and held by the Employee Benefit Trust on behalf of the Company in order to satisfy options and awards under the Company's incentive schemes. 656,780 shares in Premier Foods plc were held by the Employee Benefit Trust at 31 March 2018, with a market value of £248,263 (2016/17: 250,420 shares with a market value of £110,185).

Share capital

	Number of shares	Ordinary shares @ nominal value (£0.10/share) £m	Share premium £m	Total £m
At 2 April 2016	826,567,063	82.7	1,406.6	1,489.3
Shares issued under share schemes	5,903,615	0.6	0.1	0.7
At 1 April 2017	**832,470,678**	**83.3**	**1,406.7**	**1,490.0**
Shares issued under share schemes	**8,151,539**	**0.8**	**0.9**	**1.7**
At 31 March 2018	**840,622,217**	**84.1**	**1,407.6**	**1,491.7**

Share award schemes

The Company's share award schemes are summarised as follows:

1. A CEO Co-Investment Award ("CEO Co-Investment Award"). The scheme was structured as a share matching plan and was specifically created to facilitate the recruitment of Gavin Darby as CEO in 2013. The award was equity-settled and the outstanding tranche of the award vested on 1 May 2016. No further awards will be made under this plan.
2. A Long-Term Incentive Plan ("LTIP") for executive directors and senior managers, approved by shareholders in 2011. The LTIP is comprised of performance shares whereby participants have the right to subscribe for ordinary shares at nil cost. These awards are equity-settled and have a maximum term of three years. The vesting of the 2015, 2016 and 2017 Performance Share awards are conditional on achievement of a combination of absolute adjusted earnings per share targets and average share price targets.
3. A Restricted Stock Plan ("RSP") which provides specific ad hoc share awards to managers. Awards are normally subject only to continued employment and may be equity-settled or cash-settled and normally have a retention term of two to three years for senior management. In addition an element of the 2015/16 and 2016/17 annual bonus was satisfied in the form of shares awarded under the RSP.
4. A Share Incentive Plan ("SIP") for all employees. An award of free shares was made to all employees in 2014 by the Company under this HMRC tax-advantaged plan. Free shares are held by a trustee for a minimum of three years. Subject to continuing employment, participants may elect to remove shares from the trust after this three year holding period, however, there are tax and National Insurance advantages for the employee should the shares be left in the trust for over five years. No further awards under this plan are currently anticipated.
5. A Deferred Share Bonus Plan ("DSBP"). Currently only the CEO participates in the DSBP which operates alongside the Annual Bonus plan. Awards are based on the achievement of a range of targets which are set at the start of each financial period. If the objective is met, the bonus earned will be converted into shares following the announcement of the results for the financial period and deferred for a period of up to two years. These shares are subject to forfeiture over the period of deferral.

Share option schemes

The Company's share option schemes are summarised as follows:

1. A Savings Related Share Option Scheme ("Sharesave Plan") for all employees. The employees involved in this HMRC tax advantaged save as you earn scheme have the right to subscribe for up to 10.1 million ordinary shares. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below. These options are equity-settled, have a maximum term of 3.5 years and generally vest only if employees remain in employment to the vesting date.

Further details of the share award and share options schemes can be found in the Directors' Remuneration report.

Details of share award and option schemes

Details of the share awards of the Premier Foods plc CEO Co-Investment Award are as follows:

Premier Foods plc CEO Co-Investment Award

	2017/18 Awards	2016/17 Awards
Outstanding at the beginning of the period	–	751,814
Exercised during the period	–	(751,814)
Outstanding at the end of the period	–	-
Exercisable at the end of the period	–	–

There were no awards outstanding at 31 March 2018 (2016/17: weighted average remaining contractual life of nil years). There were no awards granted in the period (2016/17: weighted average fair value of awards granted of nil pence per award).

Notes to the financial statements

22. Reserves and share capital continued

Details of the share awards of the Premier Foods plc LTIP (Performance share award) are as follows:

Premier Foods plc LTIP (Performance share award)

	2017/18 Awards	2016/17 Awards
Outstanding at the beginning of the period	27,787,947	21,314,764
Granted during the period	9,759,169	8,963,895
Forfeited during the period	(7,847,596)	(2,490,712)
Outstanding at the end of the period	**29,699,520**	27,787,947
Exercisable at the end of the period	**6,146,066**	–

The awards outstanding at 31 March 2018 had a weighted average remaining contractual life of 0.9 years (2016/17: 1.1 years). The weighted average fair value of awards granted during the period was nil pence per award.

Details of the share awards of the Premier Foods plc Restricted Stock Plan are as follows:

Premier Foods plc Restricted Stock Plan

	2017/18 Awards	2016/17 Awards
Outstanding at the beginning of the period	5,313,677	13,145,634
Granted during the period	–	308,430
Exercised during the period	(4,647,811)	(7,314,128)
Forfeited during the period	(292,161)	(826,259)
Outstanding at the end of the period	**373,705**	5,313,677
Exercisable at the end of the period	**373,705**	938,156

The awards outstanding at 31 March 2018 had a weighted average remaining contractual life of nil years (2016/17: 0.3 years). The weighted average fair value of awards granted during the period was nil pence per award.

Details of the share options of the Premier Foods plc Deferred Share Bonus Plan are as follows:

Premier Foods plc Deferred Share Bonus Plan

	2017/18 Awards	2016/17 Awards
Outstanding at the beginning of the period	157,560	–
Granted during the year	–	157,560
Outstanding at the end of the period	**157,560**	157,560
Exercisable at the end of the period	**–**	–

The awards outstanding at 31 March 2018 had a weighted average remaining contractual life of 0.2 years (2016/17: 1.2 years). The weighted average fair value of awards granted during the period was nil pence per award.

Details of the share options of the Premier Foods plc Share Incentive Plan are as follows:

Premier Foods plc Share Incentive Plan

	2017/18 Awards	2016/17 Awards
Outstanding at the beginning of the period	1,463,000	1,613,000
Exercised during the period	(126,400)	(45,250)
Transferred out during the period	(25,600)	(52,750)
Forfeited during the period	(44,500)	(52,000)
Outstanding at the end of the period	1,266,500	1,463,000
Exercisable at the end of the period	–	–

The awards outstanding at 31 March 2018 had a weighted average remaining contractual life of nil years (2016/17: 1.0 years). The weighted average fair value of awards granted during the period was nil pence per award.

Details of the share options of the Premier Foods plc Sharesave Plan are as follows:

Premier Foods plc Sharesave Plan

	2017/18		2016/17	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at the beginning of the period	20,231,334	35	16,999,242	36
Exercised during the period	(3,536,539)	34	(253,615)	33
Granted during the period	4,988,669	33	6,046,060	35
Forfeited/lapsed during the period	(3,847,836)	44	(2,560,353)	36
Outstanding at the end of the period	17,835,628	33	20,231,334	35
Exercisable at the end of the period	792,451	35	1,074,318	72

During the period 5.0 million (2016/17: 6.0 million) options were granted under the Sharesave Plan, with a weighted average exercise price at the date of exercise of 33 pence per ordinary share (2016/17: 35 pence).

The options outstanding at 31 March 2018 had a weighted average exercise price of 35 pence (2016/17: 72 pence), and a weighted average remaining contractual life of 1.6 years (2016/17: 1.1 years).

In 2017/18, the Group recognised an expense of £2.8m (2016/17: £4.5m), related to all equity-settled share-based payment transactions.

A summary of the range of exercise price and weighted average remaining contractual life is shown below:

Weighted average remaining life and exercise prices

	As at 31 March 2018			As at 1 April 2017		
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (p)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (p)
At 10 pence	31,497,285	0.9	10	34,722,184	1.0	10
£0.10 to £9.90	17,835,628	1.6	33	20,231,334	1.1	35
£10.00 to £20.00	–	–	–	–	–	–
Total	49,332,913	1.1	18	54,953,518	1.0	19

Notes to the financial statements

22. Reserves and share capital continued

Valuation method

The Group uses the Black–Scholes model to determine the fair value of share options at grant dates. Fair values determined from the model use assumptions that are revised for each share-based payment arrangement.

The expected Premier Foods plc share price volatility was determined using an average for food producers as at the date of grant. The risk-free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant.

23. Notes to the cash flow statement

Reconciliation of profit before tax to cash flows from operations

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

Reconciliation of cash and cash equivalents to net borrowings

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

Analysis of movement in borrowings

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

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

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 31 March 2018			As at 1 April 2017		
	Offset asset	Offset liability	Net offset liability	Offset asset	Offset liability	Net offset asset
Cash, cash equivalents and bank overdrafts	121.1	(97.5)	23.6	126.3	(144.4)	(18.1)

24. Operating lease commitments

The Group has lease agreements in respect of property, plant and equipment, for which future minimum payments extend over a number of years.

Leases primarily relate to the Group's properties, which principally comprise offices and factories. Lease payments are typically subject to market review every five years to reflect market rentals, but because of the uncertainty over the amount of any future changes, such changes have not been reflected in the table below. Within our leasing arrangements there are no significant contingent rental, renewal, purchase or escalation clauses.

The future aggregate minimum lease payments under non-cancellable operating leases for continuing operations are as follows:

	As at 31 March 2018		As at 1 April 2017	
	Property £m	Plant and Equipment £m	Property £m	Plant and Equipment £m
Within one year	2.5	1.8	3.3	2.4
Between 2 and 5 years	5.3	1.9	6.8	2.7
After 5 years	9.4	–	10.2	–
Total	17.2	3.7	20.3	5.1

The Group has made provision for the aggregate minimum lease payments under non-cancellable operating leases.

The Group sub-lets various properties under non-cancellable lease arrangements. Sub-lease receipts of £0.2m (2016/17: £0.6m) were recognised in the statement of profit or loss during the period. The total future minimum sub-lease payments at the period end is £0.2m (2016/17: £0.3m).

25. Capital commitments

The Group has capital expenditure on property, plant and equipment contracted for at the end of the reporting period but not yet incurred at 31 March 2018 of £2.1m (2016/17: £1.8m).

Notes to the financial statements

26. Contingencies

There were no material contingent liabilities at 31 March 2018 (2016/17: none). Other contingencies and guarantees in respect of the Parent Company are described in note 8 of the Parent Company financial statements.

27. Related party transactions

The following transactions were carried out with related parties:

(a) Key management compensation

Key management personnel of the Group are considered to be the executive and non-executive directors and the Executive Leadership Team. Details of their remuneration are set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual directors is provided in the audited section of the Directors' Remuneration Report on pages 47 to 56.

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Short term employee benefits	**4.4**	5.1
Post employment benefits	**0.5**	0.4
Share-based payments	**1.1**	0.9
Total	**6.0**	6.4

(b) Transactions with associates

The Group's associates are considered to be related parties. Transactions relating to Knighton are those up to the date of consolidation. Transactions with associates are set out below:

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Sale of goods:		
– Hovis	**0.3**	0.4
Sale of services:		
– Hovis	**0.7**	0.7
– Nissin	**0.1**	0.2
Total sales	**1.1**	1.3
Purchase of goods:		
– Hovis	**11.9**	12.6
– Nissin	**7.1**	–
Total purchases	**19.0**	12.6

As at 31 March 2018 the Group had outstanding balances with Hovis. Total trade receivables was £0.5m (2016/17: £0.7m) and total trade payables was £2.5m (2016/17: £2.7m).

(c) Other related parties

As at 31 March 2018 the following are considered to be related parties under the Listing Rules due to their shareholdings exceeding 10% of the Group's total issued share capital:

Nissin Foods Holdings Co., Ltd. ("Nissin") is considered to be a related party to the Group by virtue of its 19.57% (2016/17: 19.76%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.

28. Subsequent events

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

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

The following statements reflect the financial position of the Company, Premier Foods plc as at 31 March 2018 and 1 April 2017. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the UK Companies Act 2006. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a Company profit and loss account.

Balance sheet

	Note	As at 31 March 2018 £m	As at 1 April 2017 £m
Non-current assets			
Investments in Group undertakings	3	12.8	10.7
Current assets			
Receivables	4	1,296.9	1,279.2
Deferred tax assets	6	2.2	2.1
Cash at bank and in hand		2.1	0.8
Total assets		1,314.0	1,292.8
Payables: amounts falling due within one year	5	(317.6)	(316.0)
Net current assets		983.6	966.1
Total assets less current liabilities		996.4	976.8
Equity			
Called up share capital	7	84.1	83.3
Share premium account		1,407.6	1,406.7
Profit and loss account		(495.3)	(513.2)
Total shareholders' funds		996.4	976.8

The notes on pages 112 to 115 form an integral part of the financial statements.

The financial statements on pages 110 to 111 were approved by the Board of directors on 15 May 2018 and signed on its behalf by:

Gavin Darby
Chief Executive Officer

Alastair Murray
Chief Financial Officer

Statement of changes in equity

	Called up share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At 2 April 2016	82.7	1,406.6	(533.0)	956.3
Profit for the period	–	–	15.7	15.7
Share-based payments	–	–	4.1	4.1
Shares issued	0.6	0.1	–	0.7
At 1 April 2017	**83.3**	**1,406.7**	**(513.2)**	**976.8**
Profit for the period	**–**	**–**	**15.1**	**15.1**
Share-based payments	**–**	**–**	**2.8**	**2.8**
Shares issued	**0.8**	**0.9**	**–**	**1.7**
At 31 March 2018	**84.1**	**1,407.6**	**(495.3)**	**996.4**

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and where advantage of certain disclosure exemptions available under FRS 101 have been taken, as the Group financial statements contains equivalent disclosures. Disclosure exemptions are as follows:

- Cash flow statements and related notes;
- Presentation of comparative period reconciliations;
- Share based payments;
- Financial instruments and capital management;
- Standards not yet effective; and
- Disclosures in respect of compensation of key management personnel.

The profit for the period of £15.1m (2016/17: £15.7m profit) is recorded in the accounts of Premier Foods plc.

The Company has ensured that its assets and liabilities are measured in compliance with FRS 101. The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

The Company is exempt as permitted under Financial Reporting Standard 101 from disclosing related party transactions with entities that are wholly owned subsidiaries of the Premier Foods plc Group.

Investments

Investments are stated at cost less any provision for impairment in their value.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1. Accounting policies continued

Cash and cash equivalents

Short-term cash deposits, which can be called on demand without any material penalty, are included within cash balances in the balance sheet.

Share based payments

The Company operates a number of equity-settled and cash-settled share-based compensation plans. The fair value of employee share option plans is calculated using an option valuation model, taking into account the terms and conditions upon which the awards were granted. In accordance with International Financial Reporting Standard 2, Share-Based Payment ("IFRS 2"), the resulting expense is charged to the profit and loss account over the vesting period of the options for employees employed by the Parent Company, or treated as an investment in subsidiaries in respect of employees employed by the subsidiaries where the expense is recharged. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards/options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share awards/options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of share awards/options that are expected to vest and recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

Dividends

Dividend distributions to the Company shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, and for interim dividends in the period in which they are paid.

Operating lease agreements

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental costs under operating leases, net of any incentives received from the lessor, are charged to the profit and loss account on a straight-line basis over the lease period.

Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Operating profit

Audit fees in respect of the Company are £nil (2016/17: £nil). Note 5.2 of the Group consolidated financial statements provides details of the remuneration of the Company's auditors on a Group basis.

At 31 March 2018, the Company had two employees (2016/17: two). Directors' emolument disclosures are provided in the Single Figure Table on page 47 of this annual report.

Notes to the Company financial statements

3. Investments in Group undertakings

	2017/18 £m	2016/17 £m
Cost		
At 2 April 2017 / 3 April 2016	1,770.0	1,765.8
Additions	2.1	4.2
At 31 March 2018 / 1 April 2017	1,772.1	1,770.0
Accumulated impairment		
At 2 April 2017 / 3 April 2016	(1,759.3)	(1,759.3)
At 31 March 2018 / 1 April 2017	(1,759.3)	(1,759.3)
NBV at 31 March 2018 / 1 April 2017	12.8	10.7

In 2017/18 a capital contribution of £2.1m (2016/17: £4.2m) was given in the form of share incentive awards to employees of subsidiary companies which were reflected as an increase in investments. Refer to note 13 in the Group financial statements for a full list of the undertakings.

4. Receivables

	As at 31 March 2018 £m	As at 1 April 2017 £m
Amounts owed by Group undertakings	1,296.9	1,279.2

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are not subject to interest rate risk as they are interest free, with the exception of £396.8m (2016/17: £379.1m) which attracted interest at a rate of LIBOR plus 4.0% (2016/17: LIBOR plus 4.0%). Carrying value approximates fair value.

5. Payables: amounts falling due within one year

	As at 31 March 2018 £m	As at 1 April 2017 £m
Amounts owed to Group undertakings	(297.6)	(296.0)
Group relief payable	(20.0)	(20.0)
Total payables falling due within one year	(317.6)	(316.0)

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are not subject to interest rate risk as they are interest free, with the exception of £31.0m (2016/17: £29.6m) which attracted interest at a rate of LIBOR plus 4% (2016/17: LIBOR plus 4.0%). Carrying value approximates fair value.

6. Deferred Tax

	2017/18 £m	2016/17 £m
At 2 April 2017 / 3 April 2016	2.1	2.0
Credited to the statement of profit and loss	0.1	0.1
At 31 March 2018 / 1 April 2017	2.2	2.1

The deferred tax asset relates to share-based payments.

7. Called up share capital and other reserves

(a) Called up share capital

	As at 31 March 2018 £m	As at 1 April 2017 £m
Issued and fully paid		
840,622,217 (2016/17: 832,470,678) ordinary shares of 10 pence each	**84.1**	83.3

(b) Share-based payments

The costs reflect the Company's share option schemes in operation. Further details are available in note 22 of the Group's consolidated financial statements.

The charge relating to employees of the Company amounted to £0.8m (2016/17: £0.3m). Further details of these schemes can be found in the Directors Remuneration report on page 40 to 56.

8. Contingencies and guarantees

Premier Foods plc has provided guarantees to third parties in respect of borrowings of certain subsidiary undertakings. The maximum amount guaranteed at 31 March 2018 is £0.8bn (2016/17: £0.8bn).

9. Subsequent events

There were no reportable events after the reporting period.

Shareholder notes

Additional information

Shareholder enquiries

The Company's Register of Members is maintained by our registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details given below:

Equiniti, Aspect House, Spencer Road, Lancing, BN99 6DA.

Telephone – 0371 384 2030
(or +44 121 415 7047 if calling from outside the UK).
Calls to this number are charged at a national rate.
Lines are open 8.30 am to 5.30 pm Monday to Friday, excluding UK public holidays.

Or visit Equiniti's Shareview website:
www.shareview.co.uk

Company advisers

Statutory Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Corporate brokers

Credit Suisse
One Cabot Square
London
E14 4QJ

Jefferies
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Financial PR Advisors

Maitland
13 King's Boulevard
London
N1C 4BU

Trademarks

The Company's trademarks are shown in italics throughout this annual report. The Company has an exclusive worldwide licence to use the *Loyd Grossman* name on certain products and an exclusive worldwide licence to use the *Paul Hollywood* name on certain products. The Company has an exclusive licence to use the *Cadbury* trademark in the UK (and a non-exclusive licence for use in other specified territories) on a variety of ambient cake products. *Cadbury* is a trademark of the Mondelēz International Group.

Cautionary Statement

The purpose of this annual report is to provide information to shareholders of Premier Foods plc ('the Company'). The Company, its directors, employees and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. It contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this annual report should be construed as a profit forecast.

Premier Foods plc

Premier House
Centrium Business Park
Griffiths Way
St Albans
Hertfordshire
AL1 2RE

01727 815850

Registered in England and Wales No. 5160050

www.premierfoods.co.uk