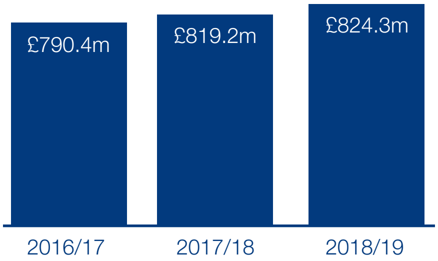
ANNUAL REPORT

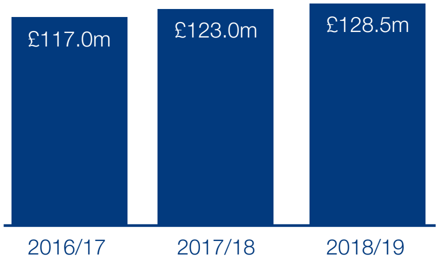
FOR THE 52 WEEKS ENDED 30 MARCH 2019

WE CREATE THE FOOD THE NATION LOVES MOST FOR MODERN LIFE

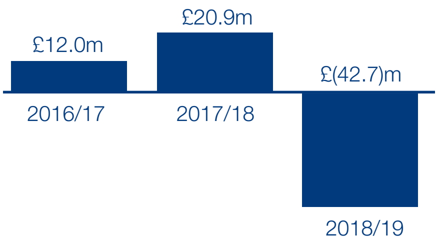
Group revenue



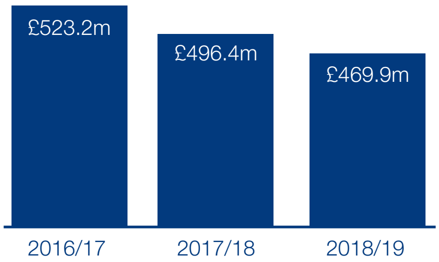
Trading profit[1]



Profit/(loss) before tax



Net debt[2]



Our Top 10 Brands

Financial and operational headlines

Full year revenue
up +0.6% to £824.3m

Trading profit[1]
up +4.5% to £128.5m

Statutory loss before tax £(42.7)m; due to GMP pension recognition and impairment of intangible assets

Net debt to EBITDA ratio[2]
reduced to 3.2×

Logistics transformation programme now completed and performance returned to normal

Mr Kipling revenue
increased +12%
following brand relaunch in the UK

1. A definition and reconciliation of non-GAAP measures to reported measure is set out on page 17.
2. Net debt/EBITDA is EBITDA on an adjusted basis as defined on page 17.

Explore our report

The director's report is comprised of pages 02 to 61.

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 the nation loves most for modern life. And today you'll find our brands in 94% 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 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**	**£480m**
Cooking Sauces & Accompaniments	*Sharwood's*, *Loyd Grossman*, *Homepride*	**No. 1**	**£977m**
Quick Meals, Snacks & Soups	*Batchelors*, *Smash*	**No. 1**	**£454m**
Ambient Desserts	*Ambrosia*, *Bird's*, *Angel Delight*, *Mr Kipling*, *Cadbury*	**No. 1**	**£405m**
Ambient Cakes	*Mr Kipling*, *Cadbury*, *Lyons*	**No. 1**	**£1,119m**

In addition, the Group has a portfolio of other branded food products and a non-branded food business which manufactures products, such as cakes and desserts, on behalf of many of the UK's leading food retailers. Our Knighton Foods ('Knighton') business manufactures and sells non-branded powdered beverages and dessert products.

Expanding internationally

We're also working hard to expand internationally by finding new markets for our brands around the world – our International business now accounts for around 6.5% of Group revenue. We have significant businesses in Ireland and Australia with established relationships with the major food retailers. In addition, we see further opportunities for 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 New Zealand, USA, South Africa and Canada.

Strategic partnerships

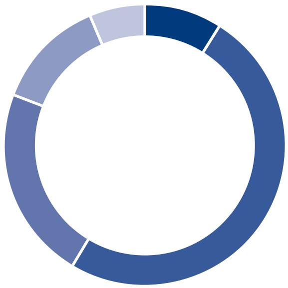
Since we entered into a co-operation agreement with Nissin Foods Holdings Co., Ltd ('Nissin') in 2016, we've launched *Batchelors* Super Noodles in a new pot format using Nissin's noodle technology and manufacturing expertise, taken on distribution of Nissin's Soba noodles and Cup Noodle brands in the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

In 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.

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]



	2018/19
Hypermarkets	£16.5bn
Supermarkets	£89.1bn
Convenience	£40.1bn
Discounters	£23.0bn
Online	£11.4bn

1. Kantar Worldpanel Total Market Penetration for the 52 weeks to 24 March 2019.
2. Institute of Grocery Distribution, UK Grocery June 2018.
3. Kantar Worldpanel Total Market for the 52 weeks to 24 March 2019

Chairman's statement

Results

The results for the year to 30 March 2019 are set out in the financial statements and discussed in the operating and financial review. Revenue reached £824.3m, an increase of 0.6%, and adjusted profit before tax reached £88.0m. Importantly the level of Net debt reduced by £26.5m to £469.9m, with the EBITDA to Net debt ratio improving to 3.2 times.

Strategic review

Premier Foods is generally a sound business, with efficient manufacturing and well-known brands which are being reinvigorated by innovation. However, for historical reasons, its financial position and the value of its equity are affected by high levels of leverage in the form of borrowings, a major deficit in one of its pension schemes and the size of the total liabilities in all the Group's pension schemes, when compared with the scale of the business.

On 27 February 2019, the Board announced that, following discussions with the largest shareholders, it had decided to conduct a review of its strategic options for increasing shareholder value. Work is continuing on this important process and the Board will be providing updates in due course.

Board changes

After six years as CEO, Gavin Darby stepped down in January 2019. Alastair Murray is filling that role on an interim basis and I thank him for his work in undertaking that responsibility.

In conjunction with the announcement of the Strategic Review, Daniel Wosner (of shareholder Oasis Management Company Ltd), Orkun Kilic (of shareholder Paulson & Co. Inc.) and Simon Bentley joined the Board as non-executive directors. To facilitate these changes, Ian Krieger and Jennifer Laing retired, each having served over six years on the Board as non-executive directors. I would like to thank them for their significant contributions.

These changes gave rise to some areas of non-compliance with the UK Corporate Governance Code, which the Board intends to remedy when it is practical to do so.

Following the Board changes, and taking account of the shareholding of Nissin Foods Holdings Co., Ltd, shareholders holding approximately 43.5% of the Company's share capital are represented on the Board. However, the Board remains conscious of its responsibility to take account of the interest of all shareholders. It is also aware of its responsibilities to all stakeholders, including lenders, bond holders, employees and members of the Group's pension schemes.

"The Board has announced that, following discussions with the largest shareholders, it has decided to conduct a review of its strategic options for increasing shareholder value. Work is continuing on this important process and the Board will be providing updates in due course."

Ambrosia

In November 2018, it was announced that the business was considering a sale of the *Ambrosia* brand, if it could obtain a satisfactory price. In February 2019, it was announced that this process had been concluded and that, in the present business climate, it would not result in a satisfactory financial outcome. I would like to thank everyone involved for their hard work during this process. *Ambrosia* has a strong future growth plan which will be executed as part of the Premier Foods business.

Other responsibilities

The business's policies, and progress on their implementation, in relation to its social responsibilities, including food safety, consumer health, the environment and employee safety, are set out on pages 18 to 25 of this report.

Thank you

I would like to extend my thanks to all of the business's partners, suppliers, customers and colleagues for their continued support as the Board looks to create increasing and sustainable value from what is a good underlying business.

Keith Hamill OBE
Non-executive Chairman
14 May 2019

Our Purpose, Values and Business model

Our purpose and values help guide us every day. They outline what we're all about and the kind of company we want to be.

Our purpose – We create the food the nation loves most for modern life.

Our purpose reminds us what we're here to do – create great food our consumers love, food that is tasty, easy to prepare and reliable, with a meaningful heritage that resonates with markets around the world. We're proud of our iconic brands and our great products, and our purpose shows how our food is at the heart of what every colleague does every day.

Our values

We're committed to creating a truly great place to work. Our shared values give us a common framework for decisions and help guide us in the way we do things. They were developed by our colleagues for our entire business. We challenge each other to live them day-by-day and doing so forms a crucial part of the performance appraisal of all colleagues.

We aim higher . . .

We're determined to be the best, consistently delivering at the highest level.

We champion fresh ideas . . .

We're creative in what we do and how we do it.

We are agile . . .

We're energetic and act with pace.

We are united . . .

We achieve more when we work together.

We respect and encourage one another . . .

We bring out the best in each other.

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.

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 BUSINESS

Being a responsible business

Being responsible and sustainable underpins our business model 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. We are proud of our leading standards of both food safety and Health and Safety. Further information on our responsibilities can be found on pages 18 to 25.

The strategic report on pages 04 to 31 was approved by the Board of directors on 14 May 2019 and signed on its behalf by

Alastair Murray
Acting CEO & Chief Financial Officer

Chief Executive’s review

At the end of a year which has posed some significant challenges, I am pleased to be able to report on a set of results in which many of the key financial metrics have moved in a positive direction and both Trading profit and Net debt have exceeded market expectation. Trading profit grew by 4.5% to £128.5m and we delivered a £26.5m reduction in Net debt, improving our gearing to a ratio of 3.2 times Net debt to EBITDA.

Our UK growth strategy made good progress in strengthening our core stable of brands whilst innovating through new products that make consumers' lives easier. Driven from a bedrock of consumer insight, our innovation strategy is focused around four key consumer trends: Health and Nutrition; Convenience; Snacking/On-the-go; and Indulgence.

Our biggest brand, *Mr Kipling*, returned to TV screens for the first time in two years with an advertising campaign focused on bringing exceedingly good moments of unexpected joy to everyday life. This much-loved brand also launched a Health and Nutrition version of an established cake range, with 30% reduced sugar Angel and Chocolate Slices.

In Grocery, *Batchelors* continued to build on the positive momentum of last year, as it gained further traction with consumers both from its core range and its range of convenient pot products: Super Noodles; Pasta n Sauce; Soup to Go; and Super Rice & Sauce. This pots range continued to deliver strong growth in the year, increasing both volume and revenue by over 40%. Nissin's Soba noodles and Cup Noodle products also grew strongly in the year, up nearly +60% compared to the prior year.

Meanwhile, *Cadbury* Cake brought the familiar Easter indulgence of *Cadbury* Crème Egg to the cake family, with the launch of *Cadbury* Crème Egg cupcakes.

As a business, our innovation as a percentage of branded sales increased to 6.7% from 6.4% in 2017/18. This is testament to our rapid speed to market, as demonstrated with the launch of *Mr Kipling* unicorn slices, which hit shelves in less than four months after spotting this on demand trend.

“Premier Foods has delivered consistent progress over the last two years, growing Revenue, Trading profit, adjusted earnings and reducing Net debt. In the last year, *Mr Kipling*, *Ambrosia*, *Batchelors*, *Sharwood’s* and Nissin's Soba noodles all displayed healthy growth and, together with the strength of our customer relationships, we increased Trading profit by 4.5%.”

In our International business, high customer stock levels in Australia resulted in reduced cake sales to this market. In addition, we implemented price rises to export wholesalers to ensure competitive pricing across all markets. As a result of these two factors, which are not expected to repeat, International sales fell by 12.5% in the year. Nonetheless, *Sharwood’s* and *Mr Kipling* remain strong performers for international markets, particularly in Australia and the USA. We are confident the business has the right plan in place for growth in the coming year, including an exciting launch into the Caribbean territories of Jamaica and Trinidad & Tobago.

It was a particularly challenging year for distribution, with our logistics transformation programme experiencing significant issues, impacting sales volumes and efficiencies. These operational challenges have now been addressed and service levels have returned to normal, so our focus is once again on improving cost efficiency. I would like to thank our customers for their patience and understanding during this period.

In common with most other food companies, we made thorough preparations for the eventuality of a no-deal Brexit on 29 March 2019, including new packaging artwork, alternative arrangements for exporting to the EU and a build-up of inventories. Most of these actions will remain useful for the future and we will continue to monitor political developments over coming months and will take further actions as appropriate.

In closing, I would just like to thank all colleagues for their enormous contribution over the past year. Despite a backdrop of many potential distractions, the core UK branded business is performing well as we look to increase capital and consumer marketing investment during 2019/20. This underlying performance gives us good momentum and confidence for the year ahead.

Alastair Murray
Acting CEO &
Chief Financial Officer
14 May 2019

Strategy

Our strategy is divided into three main pillars: (i) to drive revenue growth by pursing an innovation strategy and international opportunities, while fostering strong and established customer relationships in the United Kingdom; (ii) to improve the Group's organisational efficiency and lower its cost base; and (iii) to maintain strong cash flow generation. The aim of this strategy is to deleverage the business and the Group is targeting a Net debt to adjusted EBITDA ratio below 3.0×.

Drive revenue growth

We have a portfolio of well-loved British brands, many of which have leading sales positions in their respective product categories. We aim to deliver growth of these brands ahead of category trends through advertising and marketing these brands, and developing and introducing new branded products to the market. The Group continuously works to further develop relationships with its customers by focusing on customer service, brand investment, product innovation and category management expertise. There are further opportunities for growth by expanding the Group's brand portfolio in selected international markets and though our strategic partnerships with Nissin and Mondelēz International.

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

Improving the efficiency and cost base of our operations remains an important objective of the Group. In our factories, we continue to invest in capital projects designed to reduce cost as well as supporting product innovation. During the year, we completed the implementation of a major logistics transformation programme to consolidate all our physical distribution arrangements in one central UK location. Although we experienced some early challenges with the solution, these are now resolved and the future focus is on driving further cost efficiencies in this area. Elsewhere in the business, we continue to maintain a tight control on SG&A costs where we aim to maximise the proportion of resource focused on revenue generating activities.

COST CONTROL & EFFICIENCY

- Logistics restructuring programme
- Manufacturing cost savings programmes
- Capital projects
- Margin enhancement initiatives
- Maintain SG&A as a % of revenue

Cash generation

Delivery of consistent cash generation remains an important objective across the business. We have recovery plans with our pension funds which recognise the importance of balancing the competing demands on the Group's free cash flow. In 2019/20, we expect to be able to raise investment in the business through capital expenditure and consumer marketing whilst still delivering a meaningful reduction in Net debt.

CASH GENERATION

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

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

Products that meet consumers' needs

Our innovation strategy is built on an in-depth consumer understanding, focused on four key trends: Health and Nutrition; Convenience; Snacking/On-the-go; and Indulgence. 77% of new products launched this year had a claimable health benefit, such as the new *Mr Kipling* and *Ambrosia* ranges with 30% less sugar. We continued the growth of our convenience ranges with *Loyd Grossman* Pasta Italia pots and *Sharwood's* Noodle pots. In addition, the major brand relaunch for *Mr Kipling*, with new packaging and media support, resulted in revenue growth of +12%.

New products now account for 6.7% of branded sales

International

Expanding into new international territories

Revenue growth from *Mr Kipling* was up +48% and *Sharwood's* was up +14%, largely due to strong performances in Australia.

Our new *Mr Kipling* packing design was rolled out to key markets in Australia, North America, New Zealand and South Africa. In addition, we launched *Cadbury* cake in South Africa.

After identifying the Caribbean as a growing market for cake, we have now launched a core range of both *Mr Kipling* and *Cadbury* in Jamaica and Trinidad & Tobago.

Revenue growth from *Mr Kipling* up +48%

Strategic partnerships

Delivering continued momentum

Continued progress from our relationship with Nissin with the national extension of Cup Noodle distribution and continued growth of Soba noodle products which are now available in Ireland's three biggest retailers.

Innovation aligned to indulgence has resulted in a range of new products for 2019, leveraging our strategic global partnership with Mondelēz International, with the launch of new cupcake ranges under the *Cadbury* Oreo and Freddo brands.

Nissin Soba noodles and Cup Noodle up +58%

Cost control & efficiency

Logistics restructuring programme completed

Phase three of our logistics transformation project experienced some significant challenges in the year. However, the consolidation of our logistics operations to a single provider at Tamworth has now been completed and customer service levels have returned to normal. Further work is now underway to explore cost optimisation and efficiency benefits.

We are also planning to increase investment in the coming year through targeted growth initiatives, including additional manufacturing flexibility and capacity.

£25m targeted for capital investment

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 on the delivery of our key strategic priorities. They are used to measure performance, highlight areas for attention and corrective action, as well as recognising good performance and celebrating success. Trading profit and Net debt also form part of management's bonus objectives, and an overview of how remuneration links to our strategy is set out on page 45.

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 0.6% in the full year to £824.3m. This growth was driven by *Mr Kipling*, our largest brand, growing +12% following its successful brand relaunch in the UK. Additionally, *Ambrosia*, *Batchelors*, *Sharwood's* and Soba all delivered healthy growth.

Trading profit

Trading profit is defined in the operating and financial review on page 17.

Why is this important?

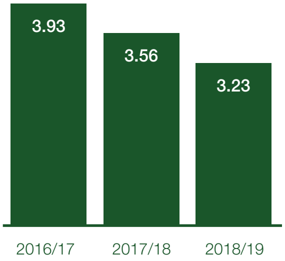
This measure reflects the revenues and costs associated with the operational performance of the business and is also a good proxy for the cash generative capacity of the business.

Progress we've made

Trading profit increased by 4.5% in the year. This improvement was driven primarily by the branded revenue growth in the Grocery business unit.

Net debt to adjusted 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 17.



Why is this important?

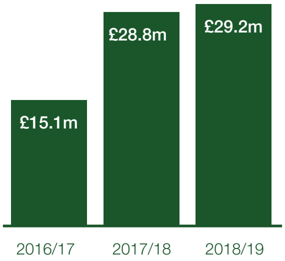
This ratio is the key metric used by the Group in measuring its debt level relative to the overall performance of the business.

Progress we've made

Net debt reduced by £26.5m from £496.4m in 2017/18 to £469.9m in 2018/19. As a result of this deleveraging and EBITDA growth, the ratio of Net debt to EBITDA reduced from 3.6× to 3.2×. The Group is targeting a Net debt to EBITDA ratio below 3.0×.

Free cash flow

Free cash flow is defined in the operating and financial review on page 17.



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.

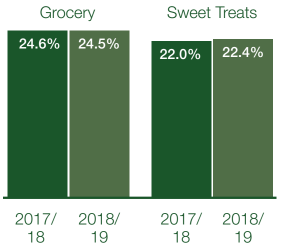
Progress we've made

Free cash flow of £29.2m in 2018/19 was broadly in line with last year. Cash flow benefits from the increase in Trading profit, Hovis cash receipt and timing benefit from interest payable on the £300m fixed rate notes due October 2023 were offset by an increase in cash flows related to restructuring costs and early redemption of the £325m fixed rate notes due March 2021.

Environmental and Health and Safety performance is reported in more detail in the section on being a responsible business on pages 18 to 25. Following a review in the year, we have launched a new responsibility programme based around five key pillars (see page 18 for further details). As a result, our KPI on 'better-for-you' choices will be replaced by a new nutritional measure based on extending our range of healthier foods within our core range.

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 30 March 2019 and 31 March 2018).



Why is this important?

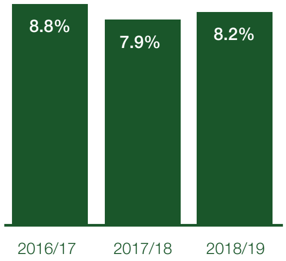
Increasing market share indicates consumer preference for our products and also demonstrates successful partnerships with customers to grow our overall categories.

Progress we've made

Grocery market share was broadly flat in the year. We again saw share gains in our Quick Meals, Snacks and Soups category, following the continued popularity of our convenient pots ranges. While we lost some share in Ambient Desserts, this improved in the second half of the year. In Sweet Treats, we have grown share following the successful brand relaunch of our largest brand, *Mr Kipling*.

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.



Why is this important?

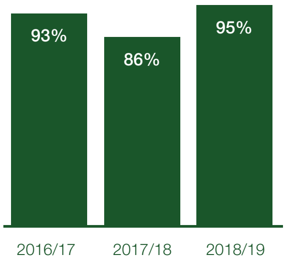
As part of our cost and efficiency strategy we intend to maintain a lean organisational structure; ensuring complexity and duplication are kept to a minimum.

Progress we've made

SG&A as a % of revenue increased slightly in the year to 8.2%, as a result of inflation and as we invested further in revenue generating resource.

% 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.



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.

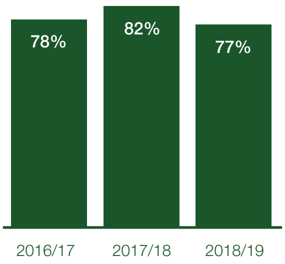
Progress we've made

Overall our performance improved in the year, reflecting an increase in the quality of our branded products, following the introduction of a new programme focused on the Group's 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 four-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.



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 business on page 18.

Progress we've made

Over the course of the period, 77% of new product launches within our Grocery portfolio delivered a claimable nutritional benefit (ahead of our annual target of 75%) and none of these products had a red traffic light on front of pack, which signposts that the products are not high in fat, saturated fat, sugar or salt.

Operating and financial review

Premier Foods has delivered consistent progress over the last two years, growing revenue, Trading profit, adjusted earnings and reducing Net debt.

In the last year, *Mr Kipling*, our largest brand, grew +12% following its successful brand relaunch in the UK and in addition *Ambrosia*, *Batchelors*, *Sharwood's* and Nissin's Soba noodles also displayed healthy growth. While we saw a decline in International revenue and experienced significant operational challenges with the final phase of our logistics transformation programme, our improved structural resilience still resulted in us growing Trading profit by 4.5%.

Revenue

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

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

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

Sweet Treats

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

Looking to 2019/20, the Group is set to launch a premium range of *Mr Kipling* 'Signature' cakes with variants such as After Dinner Mint Fancies and Chocolate, Caramel & Pecan slices. The Group is also planning to introduce some exciting new lines under *Cadbury* cakes in 2019/20. Ranges include new *Cadbury* cake slices, Oreo cupcakes and Freddo cupcakes.

Grocery

Batchelors entered the year with strong momentum having delivered revenue growth of +11% in 2017/18 compared to the prior year. In 2018/19, *Batchelors* continued to build on this momentum as it gained further traction with consumers with its range of convenient pot products: Super Noodles; Pasta n Sauce; Soup to Go; and Super Rice & Sauce. This pots range continued to deliver strong growth in the year, increasing both volume and revenue by over 40%. Nissin's Soba noodles and Cup Noodle products also grew strongly in the year, up nearly +60% compared to the prior year.

Angel Delight was another brand in the portfolio which continued its momentum from the prior year into 2018/19, delivering growth of 15%; building on the popularity of ready to eat pots with consumers. Elsewhere in the Desserts category, *Ambrosia* staged a year of recovery, with growth of 7% in the second half of the year, benefitting from stronger instore activity and execution in major retail customers.

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

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

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

In 2019/20, the Group plans to launch a fresh new brand 'Plantastic'. Under this exciting new brand, the Group will launch a cross category range of products using plant-based ingredients, targeting the growing trend of consumers looking for plant-based and vegan products. The products are planned for launch during the course of this financial year in the Desserts, Cake and Soup categories. In terms of the supply chain, these products will be sourced from a combination of in-house manufacturing and co-manufacturer partners.

International

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

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

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

Looking ahead to 2019/20, the International business has just entered two new markets with the launch of both *Mr Kipling* and *Cadbury* cakes in Jamaica and Trinidad & Tobago. The Group also plans to extend its distribution of *Mr Kipling* cake in the USA and Canada and both *Mr Kipling* and *Cadbury* cake in South Africa during 2019/20. Additionally, leveraging the strategic partnership with Nissin, a range of *Sharwood's* noodle pots are to be launched in Australia during the year.

Non-branded

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

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

Trading profit

£m	2018/19	2017/18	Change
Divisional contribution[2]			
Grocery	**138.3**	130.0	+6.3%
Sweet Treats	**23.6**	25.8	(8.4%)
Total	**161.9**	155.8	+3.9%
Group & corporate costs	**(33.4)**	(32.8)	(1.8%)
Trading profit	**128.5**	123.0	+4.5%

The Group reported Trading profit of £128.5m in the year, growth of £5.5m, up +4.5% compared to 2017/18. Divisional contribution increased by £6.1m to £161.9m. The Grocery business recorded Divisional contribution growth of £8.3m to £138.3m while Sweet Treats Divisional contribution was £2.2m lower than the prior year at £23.6m. Group & corporate costs were £0.6m higher than the prior year.

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

Operating and financial review

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

Consumer marketing investment was slightly lower compared to the prior year, although the Group expects to significantly increase its investment in this area in 2019/20 with five of the Group's major brands to benefit from media advertising in the year.

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

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

Operating profit

£m	2018/19	2017/18	Change
Adjusted EBITDA[3]	**145.5**	139.6	5.9
Depreciation	**(17.0)**	(16.6)	(0.4)
Trading profit	**128.5**	123.0	5.5
Amortisation of intangible assets	**(34.4)**	(36.3)	1.9
Fair value movements on foreign exchange and derivatives	**(1.3)**	0.1	(1.4)
Net interest on pensions and administrative expenses	**(1.3)**	(2.5)	1.2
Non-trading items			
GMP equalisation	**(41.5)**	–	(41.5)
Restructuring costs	**(16.8)**	(8.5)	(8.3)
Impairment of goodwill and intangible assets	**(30.6)**	(6.5)	(24.1)
Other	**1.9**	–	1.9
Operating profit	**4.5**	69.3	(64.8)

The Group reports an operating profit of £4.5m for 2018/19, compared to £69.3m in the prior year. The growth in Trading profit of £5.5m in the year, as outlined above, was offset by an impairment of goodwill and intangible assets of £30.6m and costs of £41.5m relating to the recognition of Guaranteed Minimum Pension ('GMP') charges.

Amortisation of intangibles was £1.9m lower than 2017/18 due to certain SAP software modules becoming fully amortised in the year. Fair valuation of foreign exchange and derivatives was a charge of £1.3m in the year.

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

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

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

An impairment charge of £30.6m was recognised in the year and related to impairment of *Sharwood's* and *Saxa* intangible brand assets to ensure the carrying value of the brand on the balance sheet reflects the Group's latest view on brand valuation. The prior year charge of £6.5m was due to the write-off of Knighton goodwill and *Lyons* intangible brand asset. Following the impairment of *Sharwood's*, amortisation of intangibles is expected to be lower in 2019/20 at approximately £30m.

Finance costs

£m	2018/19	2017/18	Change
Senior secured notes interest	31.7	32.2	0.5
Bank debt interest	5.1	7.2	2.1
	36.8	39.4	2.6
Amortisation of debt issuance costs	3.7	5.0	1.3
Net regular interest[5]	40.5	44.4	3.9
Fair value movements on interest rate financial instruments	–	(0.4)	(0.4)
Write-off of financing costs and early redemption fees	11.3	4.0	(7.3)
Discount unwind	3.0	(0.4)	(3.4)
Other finance income	(7.6)	–	7.6
Other interest cost	–	0.8	0.8
Net finance cost	47.2	48.4	1.2

Net finance cost was £47.2m for the year; a decrease of £1.2m on 2017/18. Net regular interest in the year was £40.5m, a decrease of £3.9m compared to the prior year. Consistent with recent years, the largest component of finance costs in the year was interest due to holders of the Group's senior secured notes, which was £31.7m. The interest on the senior secured notes was £0.5m lower compared to the prior year following the re-financing of the June 2021 £325m fixed rate notes at a coupon of 6.5% to the October 2023 £300m fixed rate notes to the slightly lower coupon of 6.25%. Bank debt interest of £5.1m was £2.1m lower in the year due to lower levels of average debt and a lower margin on the revolving credit facility following the refinancing completed in May 2018. Amortisation of debt issuance costs was £3.7m, £1.3m lower than the prior year due to lower transaction costs associated with the issue of the £300m 6.25% Fixed rate notes compared with the retired £325m 6.5% Fixed rate notes.

Write-off of financing costs and early redemption fees of £11.3m include a £5.7m fee related to the write-off of transaction costs associated with the senior secured fixed rate notes due March 2021, which were repaid during the year, and a £5.6m redemption fee associated with the early call of the March 2021 bond. In the prior year, a £0.4m discount unwind credit relating to long-term property provisions held by the Group due to an increase in gilt yields was reflected in reported Net finance cost. In 2018/19, a discount unwind charge of £3.0m was included in the Net finance cost of £47.2m.

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

Taxation

£m	2018/19	2017/18	Change
Overseas current tax			
Current year	1.1	0.8	0.3
Deferred tax			
Current period	6.1	(4.1)	10.2
Prior periods	1.7	(8.1)	9.8
– Adjustment to restate opening deferred tax at 17.0%	–	(2.3)	2.3
Income tax credit/(charge)	8.9	(13.7)	22.6

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

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

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

Earnings per share

Earnings per share (£m)	2018/19	2017/18	Change
Operating profit	4.5	69.3	(64.8)
Net finance cost	(47.2)	(48.4)	1.2
Loss before taxation	(42.7)	20.9	(63.6)
Taxation	8.9	(13.7)	22.6
(Loss)/Profit after taxation	(33.8)	7.2	(41.0)
Average shares in issue	841.5	836.8	(4.7)
Basic (loss)/earnings per share (pence)	(4.0)	0.9	(4.9)

Operating and financial review

The Group reported a loss before tax of £(42.7)m in the year, compared to a profit before tax of £20.9m in 2017/18. A loss after tax was £(33.8)m, compared to a £7.2m profit in the prior year.

Adjusted earnings per share (£m)	2018/19	2017/18	Change
Trading profit	128.5	123.0	+4.5%
Less: Net regular interest	(40.5)	(44.4)	+8.9%
Adjusted profit before tax	**88.0**	78.6	+12.1%
Less: Notional tax (19%)	(16.7)	(14.9)	(12.1%)
Adjusted profit after tax[6]	71.3	63.7	+12.1%
Average shares in issue (millions)	841.5	836.8	+0.6%
Adjusted earnings per share (pence)	**8.5**	7.6	+11.5%

Adjusted profit before tax was £88.0m in the year, an increase of £9.4m compared to the prior year due to growth both in Trading profit and lower interest costs as described above. Adjusted profit after tax increased £7.6m to £71.3m in the year after deducting a notional 19.0% tax charge of £16.7m. Based on average shares in issue of 841.5 million shares, adjusted earnings per share in the year was 8.5 pence, growth in the year of +11.5%.

Free cash flow

£m	2018/19	2017/18
Trading profit	128.5	123.0
Depreciation	17.0	16.6
Other non-cash items	2.4	2.8
Interest	(30.1)	(38.0)
Taxation	–	1.0
Pension contributions	(41.9)	(39.8)
Capital expenditure	(17.7)	(19.2)
Working capital and other	(7.7)	(0.6)
Restructuring costs	(18.1)	(12.5)
Proceeds from share issue	1.4	1.2
Sale of property, plant and equipment	–	1.3
Hovis repayment of loan note	7.6	–
Financing fees	(12.2)	(7.0)
Free cash flow[10]	**29.2**	28.8
Statutory cash flow statement		
Cash generated from operating activities	57.7	52.4
Cash used in investing activities	(17.7)	(17.9)
Cash (used in)/generated from financing activities	(35.8)	7.2
Net increase in cash and cash equivalents	**4.2**	41.7

The Group reported an inflow of Free cash in the period of £29.2m. Trading profit of £128.5m was £5.5m ahead of the prior year for the reasons outlined above, while depreciation of £17.0m was slightly higher than 2017/18. Other non-cash items of £2.4m was predominantly due to share based payments.

Net interest paid was £7.9m lower in the year at £30.1m, reflecting the timing of interest payable on the £300m fixed rate notes due October 2023 which were issued in the first half of the year. This is a one-off benefit to cash interest paid; in 2019/20 cash interest is expected to be in the range of £35-39m. No taxation was paid in the period due to the availability of brought forward losses and capital allowances, however, a payment of £1.0m was received in the prior period from Irish tax authorities in respect of tax paid in prior years.

Pension contributions in the year were £41.9m, in line with expectations, and £2.1m higher than the prior year. Pension deficit contribution payments made to the Premier Foods pension schemes of £34.9m were the largest component of cash paid in the year; the balance being expenses connected to administering both the RHM and Premier Foods schemes and government levies. Pension deficit contribution payments in 2019/20 are expected to be £37m and administration and government levy costs approximately £6-8m.

Capital expenditure was £17.7m in the year, £1.5m lower than the prior year. In 2019/20, the Group expects to increase its capital expenditure to *circa* £25m to fund investment in both growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings. For example, the Group is investing in one of its lines at its Stoke cake manufacturing site which will provide enhanced and varied product innovation capabilities.

Working capital investment was £7.7m in the year compared to £0.6m in 2017/18. Part of this movement reflected higher stock levels in anticipation of the original planned date to leave the European Union to protect the Company against the risk of delays at ports.

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

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

The Group received a partial repayment of its loan note and associated interest from Hovis of £7.6m in the year. There is the possibility of the Group receiving a second tranche during 2019/20.

On a statutory basis, cash generated from operations was £80.2m compared to £89.4m in 2017/18. Cash generated from operating activities was £57.7m in the year after deducting net interest paid of £22.5m, which includes the partial repayment of the loan note from Hovis as described above. Cash used in investing activities was £17.7m in 2018/19 compared to £17.9m in the prior year. Cash used in financing activities was £35.8m in the year versus £7.2m cash generated in 2017/18. This was due to the repayment of the £325m fixed rate notes due March 2021, partly offset by proceeds received from the issue of £300m floating rate notes due October 2023 and the payment of financing fees as described above.

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

Net debt and sources of finance

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

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

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

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

STRATEGIC REPORT

Pensions

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 30 March 2019 of £373.1m, £56.1m higher than 31 March 2018 and equivalent to £309.7m net of a deferred tax charge of 17.0%. A deferred tax rate of 17.0% is deducted from the IAS 19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax. An increase in the RHM surplus of £83.8m to £837.8m was partly offset by an increase in the deficit of the Premier Foods' schemes deficit of £27.7m to £464.7m.

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

Operating and financial review

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

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

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

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

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

IFRS 16 – Leases

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

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

It is important to note that while there is no economic or cash impact to the Group as a result of this accounting standard change, certain disclosures such as Net debt will be impacted. The Group has elected to transition to IFRS 16 using the Modified Retrospective Approach, and as such, comparatives will not be re-stated at 28 March 2020. However, to assist in understanding the impact of IFRS 16 on the Group's summary results for 2018/19, Net debt would have been approximately £20m higher than that reported and outlined above. It should be noted that in future years, there may be a degree of volatility in the value of assets and liabilities recognised with respect to leases, reflecting the timing of lease renewals and any fluctuations to discount rates.

Outlook

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

In the coming year, the Group plans to increase both capital investment and consumer marketing, with up to five of its largest brands expected to benefit from media advertising over the next twelve months. The Group is now demonstrating more consistent delivery of its innovation strategy and is becoming ever more resilient. The International business is expected to return to double-digit revenue growth in 2019/20. The Group continues to focus on reducing Net debt and expects to deliver a similar level of debt paydown in 2019/20 as it did in 2018/19. While the first half of this year is expected to start slowly, reflecting the timing of consumer marketing investment, the Group anticipates that with its encouraging new product innovation programme and strong customer relationships, it will make further progress in the year.

Alastair Murray
Acting CEO & Chief Financial Officer
14 May 2019

Appendices

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

Quarter 4 Sales

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

Notes and definitions of non-GAAP measures

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

1. Trading profit is defined as profit/(loss) before tax before net finance costs, amortisation of intangible assets, non-trading items, fair value movements on foreign exchange and other derivative contracts and net interest on pensions and administration expenses.
2. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
3. Adjusted EBITDA is Trading profit as defined in (1) above excluding depreciation.
4. Adjusted profit before tax is Trading profit as defined in (1) above less net regular interest.
5. Net regular interest is defined as net finance cost after excluding write-off of financing costs, early redemption fee, fair value movements on interest rate financial instruments and other interest payable.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2017/18: 19.0%).
7. Adjusted earnings per share is Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 841.5 million (52 weeks ended 31 March 2018: 836.8 million).
8. International sales remove the impact of foreign currency fluctuations and adjusts prior year sales to ensure comparability in geographic market destinations. The constant currency calculation is made by adjusting the current year's sales to the same exchange rate as the prior year.
9. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
10. Free cash flow is defined as the change in Net debt as defined in (9) above before the movement in debt issuance costs.

Additional notes

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

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

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

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

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

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

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

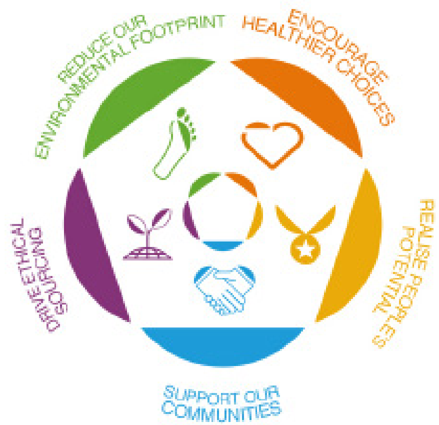
Being a responsible business

Introduction

Our purpose is to create the food the nation loves most for modern life, and we are committed to doing this responsibly and in a way that is sustainable for our business, our communities and our planet.

This year we have refreshed our responsibility agenda to ensure it continues to focus on the issues that matter most to our business and its stakeholders. Our efforts are focused around five core commitments that we believe address the issues most relevant now and in the future, and through which we can make a positive difference:

- Encourage healthier choices
- Realise people's potential
- Support our communities
- Drive ethical sourcing
- Reduce our environmental footprint



Encourage healthier choices

We're proud to produce great tasting and affordable British brands that consumers love and enjoy as part of a healthy, balanced diet. The health of our consumers matters to us and we believe industry and government must work together to educate consumers on nutrition and make it easier for them to make informed choices. We remain committed to playing our part to encourage healthier food choices and this year we have made significant progress against our previous 10 health commitments, as outlined below. To ensure we remain focused on areas where we can be most effective, in 2019 we have taken the opportunity to evolve these commitments into a set of more relevant, long-term goals, which we are now working towards.

Over the last year we have made significant strides towards our 2018 goal of removing 1,000 tonnes of sugar from our portfolio, against a base year of 2015, and are on track to achieve this target in 2019. Reformulation of our *Mr Kipling* Deep Filled Mince Pies and *Mr Kipling* Apple Pies reduced their sugar content by 9.6% and 9% respectively, and across all *Mr Kipling* pies we removed 161 tonnes of sugar from our portfolio. We also made category history and launched the first ever 'better-for-you' version of an established cake range with the launch of our 30% reduced sugar *Mr Kipling* Angel and Chocolate Slices.

Calories continue to be a popular way for consumers to measure and plan their diet, and we're proud that all our cake and dessert products meet the Public Health England ('PHE') calorie caps set out in their sugar reduction programme. Single portion, individually wrapped cakes are another useful way of enabling consumers to manage their intake, and last year saw 42% of our total volume cake sales come from single portion ranges.

77% of our Grocery products launched this year were 'better-for-you' products, defined by having a claimable nutrition benefit, for example 'source of fibre', as well as no 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 our new range of *Sharwood's* Wholegrain Noodles and Naan Breads, our *Homepride* Extra Veg Pasta Bakes which per portion provide consumers with one and a half of their recommended five portions of vegetables and fruit per day, and our 25% reduced fat *Sharwood's* Korma and Tikka Masala cooking sauces.

Having already removed 1,000 tonnes of salt from our portfolio since 2010, all new and existing product development this year has met PHE's 2017 salt targets for their respective categories. Furthermore, we're compliant with PHE salt targets in 13 of the 15 categories in which we committed to meet targets. We're making good progress in the two remaining categories, cake and fruit pies.

We are responsible when advertising and promoting our products, particularly when it comes to younger consumers, and we do not target under 16-year olds in broadcast and non-broadcast media to promote products high in sugar, salt and fat.

We continue to champion transparent nutrition labelling so that consumers can make informed choices about the products they buy. As one of the first food manufacturers to adopt the government's voluntary front of pack traffic light nutrition labelling scheme, we have since supported the Institute of Grocery Distribution ('IGD') to develop best practice guidance to promote consistency across the industry to facilitate a better consumer understanding of the nutrition information provided. We were also the first company to implement this new label format in line with the IGD guidance document following its publication in 2017.

We continue to work with our suppliers to consider technologies that can deliver nutritional benefits to our consumers. Our focus has been on innovations that allow us to remove salt and sugar without compromising on product form and taste. We are now expanding our focus to include the development of 'better-for-you' versions of products, for instance a no added sugar version or a wholegrain alternative.

Building on the success of our healthy eating in the workplace trials last year, at three of our factories, this year we have rolled out the programme to a further three factories (Carlton, Worksop and Moreton), and introduced a healthier, low-calorie range at our St Albans Head Office café. We remain committed to rolling out this programme to all our sites with canteens by 2020.

Our new nutrition KPIs:

Extend our range of healthier foods:

- By 2025, every core range will include at least one 'better-for-you' option. (i.e. reduced/no added sugar, reduced salt, reduced fat, reduced/low in calories, a wholegrain alternative to white, or free from key allergens).
- From 2019, introduce at least one new range each year that enables consumers to improve their diet by eating more vegetables, protein or fibre, or delivering products that are fortified for greater nutrition.

Enhance the nutrition profile of our existing core range:

- Continue to work with government to implement the Childhood Obesity Plan and their reformulation programmes (targeting salt, sugar and calorie reductions).

Educate our consumers and colleagues on the nutrition choices they are making to encourage healthier eating:

- Continue to adopt clear and transparent labelling across our portfolio to help consumers easily understand their nutrition choices.
- Extend our Healthy Eating in the Workplace programme across all our sites by 2020.

Realise people's potential

Developing skills

When we welcome colleagues into our business – no matter at what level – we help them develop the confidence and skills to move onto and up the career ladder. We are committed to investing in self-led learning and this year we launched LinkedIn Learning for all IT-enabled colleagues, offering access to over 7,000 online courses. We use psychometric tools to help us to understand how to unlock the potential of high-performing individuals and teams across our business, and from this we can develop tailored training to hone key skills, for example our Sales Academy programme. Meanwhile our Leadership programmes equip our leaders with practical skills and tools to enable them to raise the bar and lead the business with authenticity and integrity.

Apprenticeships are an important part of our future talent strategy, providing career progression for existing colleagues and attracting new recruits. We have supported the training and development of 40 apprentices year-on-year for the last two years and plan to maintain this level in the coming financial year. Graduates continue to play an important role in building our internal talent pipelines and in 2019 we'll recruit our fifth consecutive intake of commercial graduates, in addition to longer-standing finance and procurement programmes. We are pleased to see that those who have completed their graduate programmes have taken on permanent key roles within the organisation and are contributing to strengthening our functional expertise and delivery.

To address the skills gap faced by our industry in critical areas including STEM (science, technology, engineering and maths) based roles, we continue to play an active role driving awareness of and promoting the breadth of career opportunities that exist within our sector. We work closely with the IGD to support their Feeding Britain's Future schools campaign, and this year Premier Foods' volunteers took part in 90 pre-employment skills training sessions for year 9 and year 12 students. We also support the IGD's Schools Programme initiative, with five of our sites actively supporting local schools and providing CV writing, confidence building and interview skills training. And we work with the Food and Drink Federation (FDF) to support the MEng programme at Sheffield Hallam through student placements at our factories and mentoring support.

Fairness and equality of opportunity

Diversity and inclusion

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

Our Diversity and Equality policy statement, approved by the Board in 2017, sets out our approach to equal opportunities and the avoidance of discrimination at work. Our diversity working group monitors progress against key areas of this statement and reports annually to the Board.

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

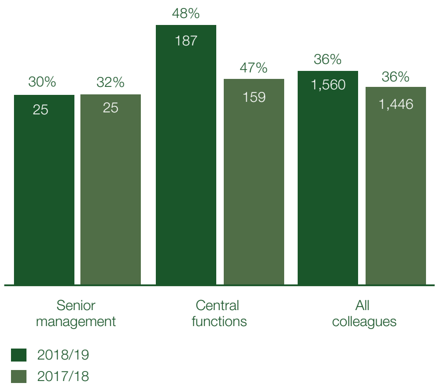
- Communicating our Diversity and Equality policy across the business and incorporating it into the induction process for new starters;
- Identification of areas in the business where diversity is considered to be low;
- Specific training for those involved in recruitment;
- Meetings between HR leads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

In 2019 we are rolling out a company wide Diversity and Inclusion programme. This will initially target our senior managers via face-to-face development, and will be followed by group based and online programmes for the wider colleague population.

Being a responsible business

Gender diversity

(% female as at 30 March 2019 for Premier Foods and Knighton)



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 continue to address this through improvements in recruitment, talent management, flexible working and maternity provision. In 2018/19 the proportion of women in leadership roles compared to men dropped slightly compared to the previous year to 29% and addressing this gap continues to be an area of focus for the business.

Gender pay gap reporting

We are confident that colleagues are paid equally for comparable jobs and satisfied that progress has been made to reduce our gender pay gap in 2018 compared with the previous year. Although this is a positive step, for an organisation like ours, where we employ many more men than women and turnover is low, it is challenging to significantly impact the pay gap annually and there may be some years where change is slower than we would like.

The data in the next column illustrates our Hourly Pay Mean Gap and Hourly Pay Median Gap at a snapshot date of 5 April 2018. This is for our total business, including entities that employ fewer than 250 colleagues as well as those that employ more.

Gender pay gap

Mean **12%** (2017: 15%)

Median **6%** (2017: 10%)

Gender bonus gap

Mean **34%** (2017: 40%)

Median **–362%** (2017: -16%)

Overall, both our Hourly Pay Mean Gap and Hourly Pay Median Gap have reduced in 2018 (versus 2017) and we are encouraged by this. We will continue to strive to reduce the gap that exists, however it should be noted that the legislation requires us to report in a way that can on occasions produce unusual data and so we would encourage people to look at the trend over several years in addition to the annual results.

Code of conduct and whistleblowing helpline

The Group is committed to ensuring that everyone that comes into contact with the business is treated with respect, and their health, safety and basic human rights are protected and promoted. The Board has approved a code of conduct which sets out the standards of behaviour all employees are expected to follow and provides a useful guidance to help colleagues 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.

Health and Safety

Health and Safety in the workplace

Health and Safety is taken extremely seriously by management at all levels throughout the business, and we are proud to continue 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 safe places to work and is a key component in our industry leading performance.

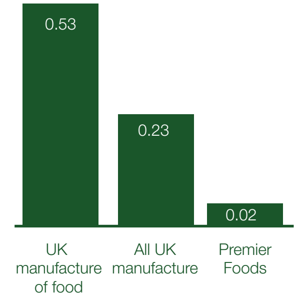
This year we have successfully rolled out our Behavioural Safety Programme, BeSafe, out to all but one of our sites, namely Moreton, on account of personnel changes. BeSafe is due to be rolled out at Moreton imminently. The programme encourages all colleagues to identify and discuss both safe and unsafe actions within their workplace, carried out by co-workers or contractors, to heighten understanding and awareness of individual behaviours within the workplace. In the last 12 months, colleagues have identified 3,419 Safe Acts and 2,153 Unsafe Acts. This then helps manufacturing sites to target resources to improve safety in the most effective areas.

The Board reviews Health and 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, along with our BeSafe initiative, continues to be successful in improving safety at sites and has increased engagement across our factories, which has helped to maintain our industry-leading Health and Safety performance.

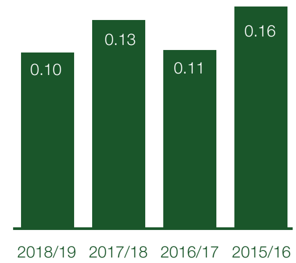
The sites are now progressing towards ISO 45001 certification and all sites aim to be certified to the new international standard in the next 12 months.

RIDDOR



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

LTAs



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

Health and wellbeing

We continue to make every effort to protect the health and wellbeing of our colleagues. Through our dedicated Occupational Health team we provide professional specialist health advice to colleagues on the effects of work on their health. We advise our colleagues on ways to improve physical and psychological well-being within the workplace and strategies to prevent illness and injury.

In early 2019 we conducted our first ever Health Needs Assessment survey and invited all colleagues to take part. We had an almost 50% response rate and are now developing our new Health and Wellbeing strategy, which will be launched in 2019.

Support our communities

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

We do this in three key ways:

In April 2018, following an all-colleague vote to determine our next corporate charity partner, we embarked on a two-year partnership with Mind UK. We set ourselves an ambitious target to raise £200,000 to support their important work, and specifically their Peer Support Service which empowers people to use their own mental health experiences to help others, either on a one-to-one basis, online or in a group, and includes a range of activities such as crafts, walking or meeting for coffee.

During the first year of our partnership, colleagues have rallied together to raise over £75,000 for Mind UK. This has come from a combination of employee led fundraising initiatives like summer barbecues, seasonal raffles, fun runs, bake sales and our site-based donation stations where colleagues can donate clothing and homeware to be sold in Mind UK shops. It also came from our company wide charity challenge event which saw 100 colleagues each walk 22 miles of the Jurassic Coast to collectively raise £30,000.

We also leveraged our partnership to raise awareness of mental health across our business. We've signed the 'Time to Change' pledge which aims to end mental health stigma in the work place, and we've hosted events such as Time to Talk Day and Mental Health Awareness Week at each of our sites. The aim of these events is to encourage discussion about mental health whilst also giving colleagues access to support materials.

Ahead of the second year of our charity partnership, we have recently launched a payroll giving scheme, enabling colleagues to make a regular donation directly from their salary to either Mind UK or to GroceryAid each month. Regular donations are vital to helping charities effectively forecast and plan their funding, so we're hoping this scheme will have a positive impact on our charity partners.

Our ongoing support of industry charity, GroceryAid, has seen us stage fundraising events organised through our GroceryAid southern network committee members, drive awareness and understanding of GroceryAid through our network of Charity Champions, plus provide senior representation at central events throughout the year. In recognition of our support, in 2019 we've been awarded Gold level supporter status (up from Bronze), an achievement we're very proud of.

Our colleagues continue to embrace supporting their local communities and this year projects they have chosen to support include: St Johns Hospice; Claire House Children's Hospice; Clatterbridge Cancer Unit; Age Concern St Albans; Kingfisher Dementia Club; Riding for the Disabled Duchy Group; and Okehampton Foodbank. Supporting local causes enables colleagues to make a visible difference within their local community and is a powerful tool for bringing people together.

Being a responsible business

Drive ethical sourcing

The Group works with over 1,200 active suppliers and our aim is to develop long-term, sustainable partnerships with our key suppliers which drive mutual benefits. Over the year, 86% of our total (third party) spend was with UK based suppliers, a rise of 3% on the previous year due in part to the expansion of our international business, Brexit contingency planning and our innovation drive. Our top 250 suppliers now account for in excess of 93% of our total spend on the goods and services that we purchase.

Ethical standards and commitments

We believe it is important to understand the impact that our purchased goods have on the environment, animal welfare and the people who produce it. We therefore always aim to purchase ingredients and packaging certified to recognised environmental and ethical standards, such as palm oil from producers that meet the Roundtable for Sustainable Palm Oil ('RSPO') criteria, egg products that are certified from cage-free hens, cocoa from UTZ (a programme for sustainable farming) certified producers, or cardboard boxes and other paper products that meet the Forestry Stewardship Council requirements.

In the latest World Wide Fund for Nature ('WWF') Palm Oil Buyers Scorecard, we received top marks in recognition of our positive action to support sustainable palm oil sourcing. Indeed, over 90% of the palm oil we use is now fully traceable back to the producing mill. We have also switched to sourcing sustainable cocoa from UTZ certified producers for some of our customer own-label brands, and accordingly in 2018 our Carlton and Knaresborough sites achieved UTZ certification. We are pleased to have retained our tier three ranking in the annual Business Benchmark on Farm Animal Welfare ('BBFAW'), whilst also improving on our scores from the previous year in recognition of increased transparency across our supply chain.

We continue to champion high ethical labour standards throughout our supply chain and ask all our ingredients and packaging suppliers to become members of Sedex (the Supplier Ethical Data Exchange). This is supported by our own Sedex Member Ethical Audits covering areas including health and safety and labour rights. By year end, 88% of direct suppliers were registered with Sedex, equating to 98% of our direct spend (excludes Knighton).

Modern day slavery

We are committed to tackling all forms of hidden labour exploitation, including slavery and human trafficking, and have policies in place to help identify and eradicate these practices within our own business (see 'Realise people's potential') and to reduce and eliminate risks across our complex supply chain. In addition, each year we issue a copy of the Premier Foods Group, Standard Terms and Conditions for the Purchase of Goods and Services to all our suppliers, and use this as an opportunity to circulate key policy documents such as our Ethical Trading Policy, Ethical Trading Initiative ('ETI') Base Code and our Modern Day Slavery Statement. All suppliers are also subject to a systematic and documented verification process, to determine whether they conform to our required labour standards.

Key members of the Supply Chain team (Procurement and Technical) have received specific training on modern day slavery and trafficking, designed to raise awareness of the issues and to empower them to recognise and respond to indicators of human rights abuse within our supply chain. All new Procurement colleagues also receive this training as part of their formal induction process.

Ethical audits

All supplier food safety audits cover an element of ethical standards and labour practices, and where concerns are identified, we will carry out a SMETA (Sedex Member Ethical Trade Audit) ethical audit. We assess suppliers as determined by reference to the supplier Sedex risk rating, geographic sourcing region and nature of the product supplied. Where this assessment deems it necessary to complete an ethical audit, these are carried out by a member of the compliance team or our third party auditing company.

If issues of non-compliance with the standards are discovered during the audit, we will work with the supplier to ensure that they have an appropriate, time-bound corrective action plan in place. We will then conduct a follow up audit to ensure that all non-conformances have been closed out.

Over the last 12 months we have completed four SMETA ethical audits across our supply base. We have also conducted strategic category reviews across high risk supply chains, including our coconut products supply chain, based in the Philippines and Indonesia. These reviews help us to minimise risks associated with modern day slavery and trafficking.

We also conduct specific SMETA ethical audits across all our own manufacturing sites on a two-year programme, completing four in the last 12 months, and audit some indirect suppliers, particularly where we deem there are higher risks of potential labour abuse or trafficking.

Health and safety

We take a risk-based approach to assessing and managing risks and have worked closely with our co-manufacturers in order to drive greater health and safety standards across our supply chain. We have conducted a number of audits across our co-manufacturing suppliers where we identify potential risk and put in place targeted improvement plans where required. In the coming year we are aiming to set up a Best Practice in Food Manufacturing Health & Safety Forum, inviting a range of other large food manufacturers to participate.

Food safety and quality

The safety and quality of our products is of paramount importance to us.

We operate a Food Safety and Quality System based around the British Retail Consortium Global Food Standard version 7 (version 8 from February 2019), with all sites (excluding Charnwood Foods) audited by an independent accreditation body to this standard. All audits are unannounced, and we're proud that this year all our sites achieved a rating of B or above, and 87% achieved A or AA ratings. Our Charnwood Foods business operates to a specific customer Quality Management System and has met all requirements.

Our internal quality compliance team focuses on controls and standards across all our manufacturing sites, auditing to our Corporate Technical Standard, supporting a range of initiatives, and driving continuous improvement quality programmes.

We conduct Food Safety and Compliance audits on all direct suppliers and co-manufacturers deemed medium or high risk, as determined by assessment of the supplier's accreditations, geographic sourcing region and nature of the product supplied. These are carried out by a member of the compliance team or our third party auditing company, with 78 completed for suppliers and 30 completed for co-manufacturers this year. We have also had a number of customer audits and visits across our manufacturing facilities to confirm our standards are in compliance with customer requirements.

A particular focus for the business is the authenticity of the materials we purchase. We have been heavily involved in the establishment of the Food Industry Intelligence Network ('FIIN') 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 of 2013 with 43 members across food Retail, Foodservices and manufacturing, representing a very significant element of the UK food industry. We have a targeted authenticity and safety surveillance programme in place for raw materials and have carried out *circa* 800 tests in the last 12 months.

To support our food safety and quality standards, we have an internationally recognised laboratory, Premier Analytical Services ('PAS') carrying out research and analysis of food ingredients and packaging, employing around 48 scientists and performing approximately 100,000 tests per annum.

Reduce our environmental footprint

Delivering environmental improvements across our operations

We strive for continual improvement when it comes to our environmental performance and encourage all colleagues to play their part in driving improvements across our operations.

Our internal Green Matters environmental campaign, which is supported by 65 Environmental Champions, runs in partnership with the Woodland Trust's Woodland Carbon Scheme and commits us to planting 25m^2 of trees for every tonne of CO_2 we reduce our emissions by. Over the last four years we've planted over 29 acres of new woodland, which in turn has removed 4,924 tonnes of CO_2 from the atmosphere, over and above the reduction achieved by our sites. Building on this success, we're now working in partnership with the Woodland Trust, the Rivers Trust and several food businesses to develop a programme focused around planting trees where they can reduce water stress, flooding and soil erosion from farm land. Planting is due to begin in 2019.

In 2018 we reduced our CO_2 emissions per tonne in eight of our ten manufacturing sites and achieved a 17.9% reduction in emissions overall compared to the previous year. Contributing to this was our switch from using kerosene as the main source of power for the boilers at our Lifton site to natural gas, which resulted in a reduction in CO_2 emissions of approximately 25%.

In 2018 we installed metering at our Ashford site, allowing us to monitor our use of energy, water and other utilities. This has already enabled us to optimise our energy use and reduce it by over 1 million kWhs in 2018 compared to 2017. Across our business we have reduced non-ingredient water use by 7% this year, achieved through projects including rainwater harvesting at our Andover mill, and improved cleaning practices and leak identification and repair across our sites.

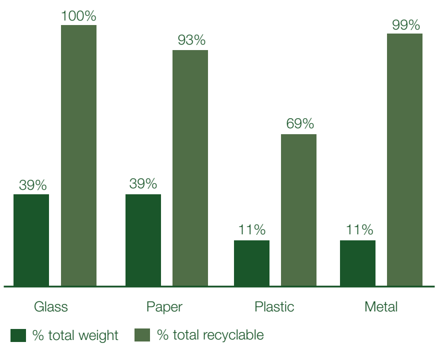
All of our manufacturing sites (excluding Knighton Foods) are accredited to ISO 14001 Environmental Management Systems.

Packaging

Our products are packaged in a way that balances the need to ensure food safety, preserve freshness and taste, prevent food waste, provide convenience, and share important information with consumers.
We continue to work hard to optimize our packaging to reduce its environmental impact; using more materials from certified sustainable sources wherever possible, increasing our use of recycled materials, and increasing the recyclability of our packaging.

All the corrugated paper we use within our packaging is from Forestry Stewardship Council ('FSC') certified sources and is fully recyclable. Plastic constitutes 11% of our packaging by weight and, in accordance the current on-pack recycling label guidelines, almost 70% of it is recyclable. Over the last three years we've removed 320 tonnes of plastic from our packaging, and in 2019 we've removed 400 tonnes of black plastic from our portfolio, by switching from using black plastic trays to recyclable clear plastic trays across our *Mr Kipling* cakes and pies.

The below chart illustrates the split in our use of packaging materials by volume weight and their respective recyclability rates. In total 94% of our packaging, by weight, is recyclable.



STRATEGIC REPORT

Being a responsible business

THE UK PLASTICS PACT

Plastics

We support a vision for a circular plastics economy, where plastic is valued and kept in the economy, but out of the environment. It's why, in April 2018, we signed up as a founding member of the UK Plastics Pact and pledged to work with governments, businesses, local authorities, NGOs and citizens to help transform the UK plastics packaging sector by 2025 and commit to support its ambitions (see the table opposite for further details of its key goals).

To help us fulfil this commitment and shape our own use of plastics within product packaging, we've adopted a recycle, reduce and remove strategy. This means reviewing the recyclability of and volume of plastics used within our packaging and identifying where we can make improvements. Where an alternative packaging material is available, is deemed suitable and is more sustainable for the environment, we will look to remove plastic. In addition, in 2019 we set ourselves specific goals to help us fulfil our commitments, and will report on our progress against these annually.

Our plastic KPIs:

Embed environmentally sustainable packaging across our portfolio:

- 100% of our plastic packaging to be recyclable, reusable or compostable by 2025.
- We continuously review our customer and consumer packaging to minimise it wherever possible. Through this we aim to reduce the weight of plastics used by 500 tonnes by 2025.

Engage with our supply chain to minimise the environmental impact of our packaging and explore more sustainable solutions for our packaging innovation:

- We will remove problematic plastics (PVC and PS) from our portfolio by the end of 2020.
- We will actively seek to increase the use of recycled plastic content across our portfolio to help create a market-pull for recycled polymers, wherever practicable, and in compliance with food safety standards.
- As we innovate new packaging, we will investigate use of all recyclable plastic material options as well as reusable designs, compostable substrates and also any non-plastic packaging which may offer improved long term sustainability.

Educate consumers and customers by providing clarity on disposal options:

- We will continue to clearly and transparently label our products, in compliance with On-Pack Recycling Label ('OPRL') guidelines, so that our consumers can easily understand the recyclability of any end of life waste packaging. With 100% of our UK Retail portfolio to carry OPRL guidelines by the end 2019.

Food waste

In addition to fulfilling our zero waste to landfill commitment since 2013, by working with Company Shop and their charity Community Shop, in 2018 we successfully redistributed 304 tonnes of food waste back into the human food chain to support those most in need. This is an uplift of 24% compared to 2017.

We support the UN Sustainable Development Goal 12.3 of halving food waste globally by 2030. As such, as we have signed up to Champions 12.3 (a coalition that consists of governments, businesses and other organisations) which aims to mobilise action and accelerate progress toward achieving this goal, and in 2018 we were one of the first companies in the UK to publicly report our food waste figures through Champions 12.3 reports published on Tesco's website. In 2018 we also became a founder signatory of the IGD WRAP Food Waste Reduction Roadmap, which encourages food and drink organisations to consistently measure and report their food surplus and waste data. We are also a signatory of the Courtauld Commitment 2025, a voluntary 10-year ambition that brings together organisations across the food chain to make food and drink production and consumption more sustainable.

We have identified and begun implementing further opportunities to drive down food waste within our business, including redistributing canteen food waste away from incineration and into anaerobic digestion to create power from biomethane.

Environmental performance 2018/19

This table outlines the progress we have made against our longer-term environmental goals, aligned with the commitments we have made to industry programmes including the FDF 2025 Ambition, the Courtauld 2025 Commitment, Champions 12.3 and the UK Plastics Pact. These also reflect our formal obligations under the Climate Change Agreement, Carbon Reduction Commitment and European Union Emissions Trading Scheme.

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 2018/19 have reduced by 37% to 64,718 tonnes against our baseline figure of 103,102 tonnes CO_2 (year ended 31 December 2008 when we first started to collect emissions data, on a like-for-like basis and adjusted for site disposals).	On target
Food waste	Send zero food waste to landfill from direct operations and contribute to reducing food waste across the whole supply chain from farm to fork, including within our operations. Increase food waste redistribution to over 750 tonnes per annum by 2020.	During 2018/19 we have continued to maintain zero waste to landfill. We have increased the amount of food waste that goes to redistribution to 304 tonnes, an increase of 24% compared with the previous year. We became a founder member of Champions 12.3, and were one of the first companies in the UK to publicly declare our food waste figures.	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 the 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, recycle 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. Work is now underway to identify opportunities to enable us to support these commitments, and we will be reporting our progress against the UKPP annually from 2019.	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.	The Group Environmental Manager sits on the Courtauld 2025 Water Stewardship Steering Group as Co-Chair. Our planned project, in partnership with the Rivers Trust, to plant trees where they can reduce water stress, flooding and soil erosion from farm land is planned to start in 2019. In 2018/19 we exceeded this target, reducing our overall water usage by 719,753 cubic metres (on a like-for-like basis and adjusted for site disposals), 28.2% less than our baseline figure of 1,002,512 cubic metres (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 now been installed on or adjacent to eight of our manufacturing or office sites. The consolidation of our logistics operations to a single distribution centre in Tamworth has resulted in an estimated reduction of approximately 1.1 million road miles this year. This will have reduced the CO_2 emissions from transport by an estimated 1,260 tonnes.	On target

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

On target

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 a bottom-up approach to identify our operational risks. The Executive Leadership Team ('ELT') perform a robust risk assessment on a periodic basis and the output is reviewed with the Audit Committee at least twice a year. This 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 31 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

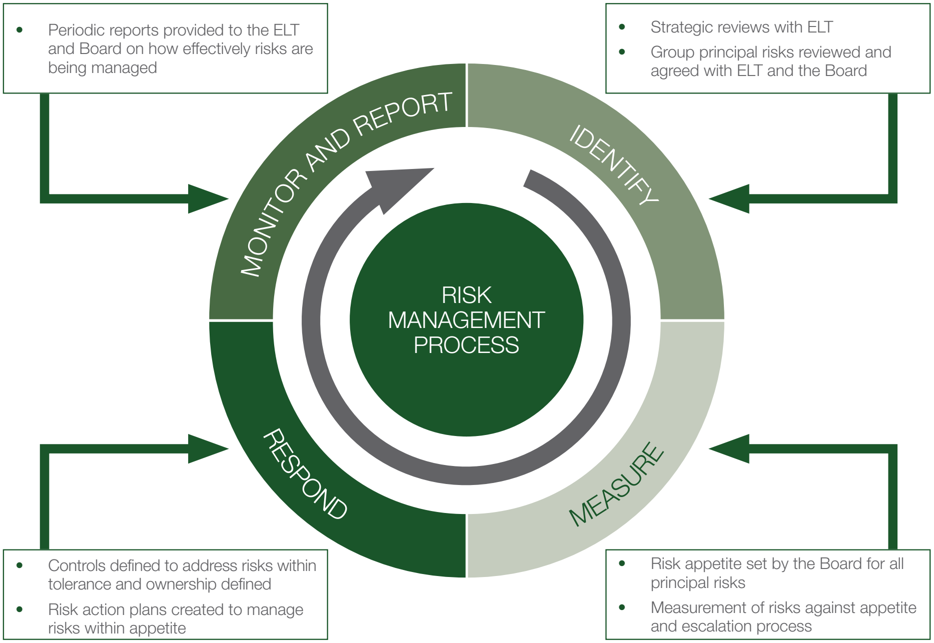
Audit Committee
Set risk management framework. Assess effectiveness of the Group's risk framework and internal controls

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

Risk and 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



Risk appetite

Our approach is to minimise exposure to reputational, financial and operational risk, while accepting and recognising a risk/reward 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 and Safety and food safety. We operate in a challenging and highly competitive marketplace 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.

Principal risks and uncertainties

The Board has 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. 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. These risks (gross) and uncertainties are identified in the heatmap below (in no particular order), followed by a more detailed description including key mitigating activities in place to address them. The 'Changes since 2017/18' highlight changes in the profile of our principal risks or describe our experience and activity over the last year.

1 No-deal Brexit and macroeconomic environment
2 Market and retailer actions
3 Operational integrity
4 Information Technology
5 Legal compliance
6 Product portfolio
7 HR and employee risk
8 Strategy delivery
9 International expansion
10 Treasury and pensions

1 No-deal Brexit and macroeconomic environment

Link to strategy

Risk trend

Risk and potential impact

The prolonged uncertainty and the prospect of a no-deal Brexit presents a significant risk to our business which will affect our supply chain and exposes us to the risk of further devaluation of sterling against the euro, thereby increasing the Group's cost base. Any deterioration in the strength of the UK economy will have an impact on demand for our products. The Group is also exposed to cyclical inflation in soft commodities and other inputs to our business. A more detailed Brexit assessment is set out on page 31.

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 Group CFO and Group Procurement Director has been put in place to manage the Group's readiness for Brexit. See page 31 for more details.

Changes since 2017/18

- The date of the UK's departure from the EU has been delayed to 31 October 2019 and there is no majority in the UK Parliament for a no-deal Brexit.
- However, the possibility of a no-deal Brexit still exists should the UK fail to reach an agreement on a revised Withdrawal Bill by 31 October 2019.

STRATEGIC REPORT

Risk management

2 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 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 continue to develop our International business which reduces dependence on the UK market.

Changes since 2017/18

- The Competition & Markets Authority ('CMA') have blocked the proposed merger of two of our largest customers.

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 consolidated our third party 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 2017/18

- We experienced operational issues with our warehouse and distribution centre in Tamworth which had a negative impact on our results.
- Operations at Tamworth have returned to a stable state and management is now working to ensure it operates in an efficient and cost-effective manner.
- A new Logistics Director was appointed to work with our outsourced logistics provider to oversee and drive continuous improvement.

4 Information Technology

Link to strategy

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 have a 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.
- A cyber insurance policy has been purchased to insure the Group against potential losses arising from a cyber-security breach.

Changes since 2017/18

- We continue to see an increasing frequency in cyber-attacks (including phishing and ransomware) in the marketplace which are increasingly sophisticated.
- We have increased investment to improve information and cyber-security controls and cyber-risk awareness.

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 (domestic and international) in areas such as Health and Safety, Listing Rules, competition law, food safety, labelling regulations 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 and 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 2017/18

- A programme was put in place to achieve readiness for the introduction of General Data Protection Regulation ('GDPR') in the EU on 25 May 2018. Ongoing data protection processes and compliance will be overseen by the Legal team.

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 Company's products can be adversely affected by warm seasonal weather conditions.

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.
- We continue to review the impact of weather on sales during our monthly product performance reviews.

Changes since 2017/18

- The Department of Health & Social Care ('DHSC') issued proposals in January 2019 to curb multi-buy promotions for HFSS (High Fat Salt Sugar) products by late 2020. We will review the potential impact on sales and promotional activity, and engage with the DHSC during the consultation process.

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 2017/18

- There were no significant changes to this risk.
- During the year the management bonus scheme (which covers approximately 400 colleagues) has been strengthened to aid with retention and recruitment.

Risk management

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 the speed at which we can deliver 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 2017/18

- Our financial results for 2018/19 demonstrate that we are delivering against our strategy and this is supported by our internal plans for the coming financial year which incorporates an increase in consumer marketing and capital expenditure.
- We embarked on a corporate exercise to sell the *Ambrosia* brand to accelerate debt repayment and allow accelerated investment in the business. The process did not result in a satisfactory financial outcome but we continue to explore strategic options to enhance shareholder value.

9 International expansion

Link to strategy

Risk trend

Risk and potential impact

Our ambitious 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 2017/18

- Growth of our International business was impacted principally by over-supply of cake in the Australian market and price rises to export wholesalers which resulted in lower sales within this group of customers.

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 taken together, are a substantial liability on the balance sheet. Tri-annual pension fund valuations, and hence requests for deficit recovery contributions ('DRCs'), are heavily impacted by financial market conditions over which the Group has no control. Trustees could potentially request DRCs 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. Our revolving credit facility expires in December 2022.

How we manage it

- Our executive director is 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 2017/18

- On 26 October 2018, the High Court ruled that pension schemes need to equalise benefits for the inequality of Guaranteed Minimum Pensions ('GMP') between men and women. The impact of this ruling is an increase in our pension liabilities for the period ended 30 March 2019.

Brexit statement

As outlined in our initial update in November 2018, since the United Kingdom ('UK') referendum result on membership of the European Union ('EU') in June 2016 we have been working to assess and mitigate the likely impacts of Brexit on our customers and suppliers under a variety of potential outcomes. Given the continued uncertainty around the overall shape of Brexit and in line with most other food companies, we focused our efforts on preparing for a no-deal Brexit.

Our fundamental objective is to ensure that we offer continuity of service and supply to our customers, wherever they are, and the purpose of this statement is to provide further information on how we plan to achieve this objective.

Background

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.

Brexit focus areas

Our initial risk assessment identified a number of key areas that may potentially be impacted by Brexit. In recent months we focused on those areas that could have the most direct impact on our ability to service customers, specifically maintaining effective customer service and supply chain, in the main related to efficient movement of goods, the impact of potential tariff and quota restrictions and ensuring compliance with regulatory frameworks.

Our established Brexit Committee has fully assessed each area and likely impacts have been evaluated. We are also represented on the Food and Drink Federation ('FDF'). In April 2019 the UK Parliament delayed the date of the UK's departure from the EU to 31 October 2019, unless an agreement can be reached sooner. As we approach the new deadline, we will review the actions we need to take should there be an increased risk of a no-deal Brexit.

Trading model

We have made minor amendments to our internal trading model within Europe (principally the Republic of Ireland) to ensure that our ability to move UK manufactured product in to the EU and vice versa is not at risk. These amendments include reviewing which ports and airports are best placed to offer the appropriate service levels post-Brexit, as well as ensuring that we have the right legal entities (i.e. those with full EU recognition) looking after our imports and exports. We do not expect customers or suppliers to be significantly affected by our changes.

Customer service and supply chain

We worked with our customers and supply chain partners to prepare for a no-deal Brexit. We developed contingency plans to ensure supply continuity and the effective operation of our manufacturing sites and the likely resulting confusion and delays at borders. These included a programme of building our inventory of finished goods and critical raw materials for our key products. We expect to return stock levels back to usual levels in the first few months of the 2019/20 financial year and we will keep a watching brief as the timings and our new trading environment become clear. We also secured additional warehousing capacity in the Republic of Ireland ('ROI') to ensure continuity of supply.

Tariffs

The UK Government issued guidance on a temporary tariff regime in the event of a no-deal Brexit in March 2019. We have researched the implications of potential tariffs and considered the potential impact on our cost base and explored strategies to mitigate them. The actions we have undertaken include a review of our supply chain for components and raw materials, a plan to build stocks in-country i.e. ROI prior to the date the UK leaves the EU and changes to systems and processes to capture and report on the new tariffs.

Regulatory

The Brexit Committee has reviewed the potential regulatory impact of a no-deal Brexit on our products which are produced and packaged in the UK. We have put in place measures to ensure our products will be compliant so as to protect customer service levels after Brexit.

Viability statement

The Board has determined that the most appropriate period over which to assess the Company'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 changes and evolves 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 27 to 31 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 30 March 2019, £161.6m 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 of 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, and macro-economic influences such as fluctuations in world currency, commodity markets and the implications of Brexit.

The Board has considered the principal risks or uncertainties and the potential impact of these on the Group's profitability or available cash resources. In assessing the Group's viability, the Board also considered all the severe but plausible scenarios simultaneously materialising 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 confirms that it has 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 2 April 2022.

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.

Alastair Murray

Acting CEO & Chief Financial Officer

Appointed to the Board: Appointed as Chief Financial Officer in September 2013 and additionally appointed Acting CEO in February 2019, on a temporary basis, while the Board undertakes a search process to appoint a new Chief Executive Officer.

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.

Simon Bentley Ⓐ Ⓡ Ⓝ

Non-executive director

Appointed to the Board: February 2019.

Skills and experience: Simon is Executive Chairman of UK mobile cash operator Cash on the Move. Simon has over 30 years' experience in finance and retail, having previously served as Chairman and Chief Executive of Blacks Leisure Group plc, Acting Chairman/Senior Independent Director of Sports Direct International plc, Chairman of Umberto Giannini, and Deputy Chairman of Mishcon de Reya. Earlier in his career, Simon spent 10 years with accountancy firm Landau Morley, latterly as a Senior Partner. He is a qualified Chartered Accountant.

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 Managing Executive Officer and Chief Strategy Officer of Nissin Foods Holdings Co., Ltd ('Nissin'), with responsibility for Nissin's long-term growth strategy and 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 Senior Managing Director and Corporate Strategy Officer in October 2014, having previously had responsibility for creating the company's long-term growth strategy and overseeing Takeda's international operations, including the role of President and CEO of Takeda North America.

Orkun Kilic

Non-executive director

Appointed to the Board: February 2019.

Skills and experience: Orkun is the Managing Partner of Paulson Europe LLP, having joined the company in 2011 where he was made Head of European Investments in 2015. He is the Portfolio Manager of the Paulson European Opportunities Fund. Prior to joining Paulson Europe, Orkun worked in Investment Banking with Morgan Stanley, focusing on mergers and acquisitions. Orkun received his Masters of Business Administration from Harvard Business School in 2009. He graduated magna cum laude in business administration and economics from Koc University, Turkey. Orkun also received his Masters of Science in Financial Engineering from Bogazici University, Turkey.

Ⓐ Audit Committee
Ⓡ Remuneration Committee
Ⓝ Nomination Committee

Ⓐ Committee Chair
Ⓡ Committee Chair (position currently vacant)
Ⓝ Committee Chair

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 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.

Daniel Wosner

Non-executive director

Appointed to the Board: February 2019 (having previously served as a non-executive director from March 2017 to March 2018).

Skills and experience: Daniel is Managing Director & Head of Europe at Oasis Management Company Ltd ('Oasis'), having joined Oasis in 2016, where he is also a member of the firm's Strategies Group and Corporate Governance Group. As Head of Europe, Daniel oversees the firm's UK and Continental European investments. Prior to joining Oasis, Daniel served as Head of the Asia Pacific Equity Syndicate team at Barclays in Hong Kong and, before that, he worked with Barclays and Lehman Brothers based in London. Daniel, a UK national, received a Bachelor of Arts in Politics from Leeds University.

Board attendance

During the year there were ten scheduled meetings of the Board and two meetings of the Audit Committee, four meetings of the Remuneration Committee and three meetings of the Nomination Committee. In addition, a number of other Board meetings and calls were convened for specific business. 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 meetings and Committee meetings are set out in the table below. Shinji Honda was unable to attend one Board meeting due to a previously agreed business commitment overseas. Ian Krieger was unable to join one Remuneration Committee meeting and one Nomination Committee meeting, both of which were called at short notice, due to other business commitments. All directors (serving at the time) attended the 2018 AGM.

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

1. Appointed to the Board on 27 February 2019.
2. Resigned as a director on 31 January 2019.
3. Resigned as a director on 27 February 2019.

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

Governance overview

Chairman's introduction

Dear shareholder

The Board believes 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.

Overview of the year

As shareholders will be aware, there was opposition to a number of resolutions tabled at the AGM in 2018 and, over the course of the year, I have continued an extensive dialogue with our major shareholders. The views of shareholders have been reviewed and discussed by the Board as a whole, and we have also spent considerable time reviewing the Group's strategy and the options which may accelerate shareholder value, whilst giving careful consideration to all shareholders' views.

In November 2018, the Group announced that it was engaged in discussions with third parties regarding the potential disposal of its *Ambrosia* brand. Whilst a number of parties expressed interest in the business, and the Group engaged in detailed discussions with a small group of potential buyers, the Board concluded that in the business climate at that time, the process would not result in a satisfactory financial outcome. As a result, these discussions were concluded.

In addition, over the year the Board has reviewed and approved the Group's annual budget and three-year financial forecast. The Board has regularly reviewed performance against budget with the CEO, Acting CEO & Chief Financial Officer 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 reviewed the Group's approach to Health and Safety, product safety and the control of allergens as well as trends and issues relating to nutrition, modern day slavery, gender pay and plastic packaging. The Board also undertook a review of talent management and succession planning for senior management.

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).

However, as highlighted in the Chairman's Statement on page 03, there have been several Board changes in the final quarter of the year and, as a result, there are a number of areas of non-compliance with the Code as we go through a period of transition.

We currently do not have a Senior Independent Director or Remuneration Committee Chair and we are currently undertaking a search process for a new CEO. As a result of the number of Board changes, it was also agreed that the normal review of Board effectiveness and of the Chairman should be postponed until later in the year. In addition, for a temporary period, there was no Chair of the Audit Committee although this position has now been filled.

The Board intends to remedy any areas of non-compliance as soon as is practicable.

AGM

Our AGM will again be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU on Wednesday 17 July 2019 at 11.00 am and I look forward to seeing you then.

Keith Hamill OBE
Non-executive Chairman
14 May 2019

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 discussion 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. As noted earlier, the Company does not currently have a SID but intends to rectify this situation as soon as is practicable. 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 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

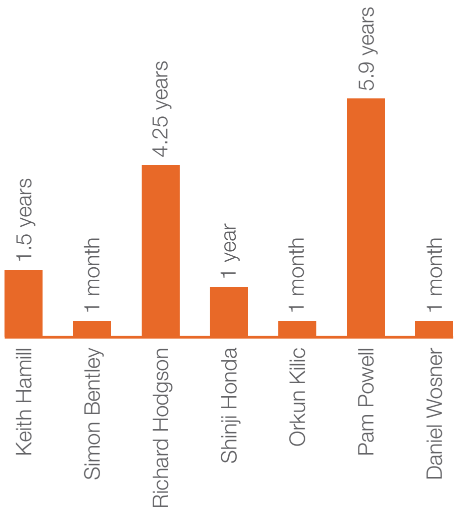
The Board delegates responsibility for the oversight of Board composition, financial performance, internal controls and remuneration strategy to its three Committees. Their terms of reference are available on the Company's website. Details of the work of the Nomination, Audit and Remuneration Committees are set out on pages 37, 38 and 44, 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 and key corporate functions. The ELT meets monthly and members regularly present to the Board.

Board appointments and tenure

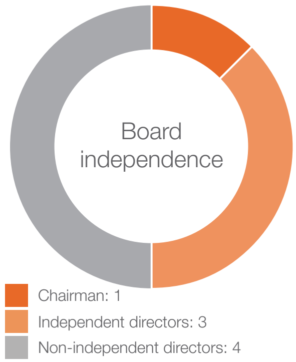
Gavin Darby, who served as Chief Executive Officer for six years, stepped down as a director on 31 January 2019. On 27 February 2019, following discussions with shareholders, we announced the appointment of Daniel Wosner of Oasis Management Company Ltd ('Oasis'), Orkun Kilic of Paulson & Co. Inc. ('Paulson') and Simon Bentley as non-executive directors. To facilitate these changes Ian Krieger and Jennifer Laing both retired from the Board with effect from that date. The average length of appointment of our non-executive directors is 1.8 years, the tenure of individual appointments can be seen in the following chart.

Board Tenure



Board independence

As the Group is a smaller company, as defined under the Code, we comply with the requirement to have at least two independent non-executive directors. The Board intends to assess the balance on the Board, in view of the requirements of the 2018 Code (which will apply to our next financial period) which recommends that 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, with the exception of the Chair of the Nomination Committee. 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, Orkun Kilic and Daniel Wosner, who represent our three largest shareholders, are fully independent of management but are 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 Agreements with Nissin, Oasis and Paulson, each is entitled to nominate an individual for appointment to the Board so long as they retain an interest in shares in the Company (for Nissin this represents 15% of issued share capital and for Oasis and Paulson this represents 10% of issued share capital). As a result, around 43.5% of the shareholder register are now represented on the Board. During the period to 30 March 2019 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 or letter of appointment.

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 Board colleagues, the ELT and key management, site visits and an induction and governance pack.

Governance overview

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 business review; Health and Safety, employee and corporate affairs updates; commercial updates; new product development; customer service levels; operations and logistics; strategic projects; capital expenditure; CFO report; management accounts; investor relations; and treasury report.

Board and Committee evaluation

As a consequence of the Board changes which took place in the final quarter of the year, it was agreed that the Board evaluation for 2018/19 would be postponed until later in the year to allow new members time to familiarise themselves with Board colleagues and the Board and Committee processes.

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. The evaluation for 2019/20 will therefore be externally facilitated.

Assessment of Chairman's performance

As part of the annual Board evaluation process a review is undertaken of the Chairman's performance, led by the Senior Independent Director. As with the Board evaluation, it was agreed that it was appropriate to defer this review until later in the year.

Connecting with our stakeholders

Like all major businesses the Group operates in a complex and interconnected commercial and regulatory environment which impacts and touches many different stakeholders. The Board must act in a way most likely to promote the success of the Group for the benefit of its members as a whole, and in so doing, have regard for the interests of its wider stakeholders and the viability of the business over the long-term.

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 five 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 Group hosted a half-day event at its offices in July 2018.

The Chairman 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 are available to meet with shareholders both before and after the meeting.

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

Senior 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 concluded that the potential for a 'buy in' or 'buy out' of RHM Pension Scheme liabilities is currently closer than previously anticipated and will be jointly monitoring the market over the next few years.

Banks

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

Other stakeholders

Details of how we engage with other stakeholders including colleagues, suppliers, community, government and wider society are set out in the section on responsibility on pages 18 to 25.

Nomination Committee report

Dear shareholder

On behalf of your Board, I am pleased to present the Nomination Committee report for the period ended 30 March 2019. 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. With the exception of myself, as Group Chairman, only independent non-executives are members of the Committee. Details of the Committee's membership and meeting attendance are set out on pages 32 and 33.

Appointment process for new CEO

The Committee, led by the Chairman, is responsible for undertaking the search process for a new CEO, following the departure of Gavin Darby in January 2019.

Russell Reynolds (who are periodically used by the Group for executive recruitment) have been engaged to assist and advise Premier Foods on the search and appointment process. Following consultation with the Chairman and the Nomination Committee, Russell Reynolds have drawn up a clear specification for the desired candidate and we look forward to updating shareholders further in due course.

Appointment of new NEDs

Following discussions with shareholders in February 2019, the Board entered into relationship agreements with Oasis and Paulson and agreed to appoint Daniel Wosner and Orkun Kilic as non-executive directors and that Ian Krieger and Jennifer Laing would both step down from the Board. At the same time, the Board was made aware of the availability of Simon Bentley and, recognising the need to appoint a new non-executive director with relevant financial experience, it was agreed to accelerate the selection process on the basis of a sole candidate. Members of the Board met with Mr Bentley over several stages of interview, following which it was agreed that Mr Bentley had the necessary business and financial experience and satisfied the criteria for independence.

Succession management

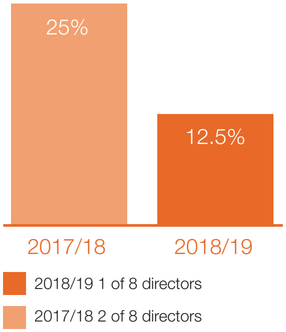
There is a strong culture of succession management within the organisation which has resulted in an increasing proportion of senior roles being filled internally. This is recognised by colleagues and helps with retention of talent and in external recruitment. There is an established leadership programme in place designed to help prepare senior managers to take on more challenging roles and this is complemented at a more junior level with our graduate recruitment programme. The Board reviewed succession plans during the year. This covered the executive directors, the Executive Leadership Team and their direct reports. In the majority of cases internal candidates were identified, although there were a number of positions where, due to the nature of the role, external succession was assessed to be the only viable option. Development plans and succession gaps were reviewed. The Board also assessed the diversity of the pipeline for succession and it was noted that 50% of the current and medium-term succession candidates were female.

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. The Committee is also mindful of the benefits that an inclusive culture can bring to our organisation as a whole and further information on our approach to diversity and the levels of diversity across the Group can be found on pages 19 and 20.

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. Whilst we have had two female Board members since 2013, following the Board changes announced in February 2019, the number of female directors has currently reduced to one. The Board remains committed to its policy on diversity and intends to remedy the situation as soon as is practicable.

Board diversity



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 by the Nomination Committee as part of its assessment of the composition of the Board. Following this review it was agreed that, notwithstanding the areas of non-compliance which require remedy (as highlighted on page 34), the Board had an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its respective duties and responsibilities effectively. In addition, the current Board was felt to have a broad range of retail, marketing, commercial and financial experience which is appropriate for the size and complexity of the Group. Consequently, the Nomination Committee recommended the re-election (or election) of all directors at the 2019 AGM.

Keith Hamill OBE
Nomination Committee Chairman
14 May 2019

Audit Committee report

Dear shareholder

On behalf of your Board, I am pleased to present the Audit Committee report for the period ended 30 March 2019. 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 two occasions in the year without the presence of management.

I was appointed as Audit Committee Chairman in March 2019, following the retirement of Ian Krieger who had chaired the Committee since 2013. 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 32 and 33. In addition to the Committee members, the CEO, CFO, Chairman, Group Director of Financial Control, Head of Internal Audit and external audit partners 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 42 and 31, respectively;
- 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
- reviewed calls received from the whistleblowing helpline.

Committee effectiveness

As set out on page 34, the 2018/19 Board and Committee evaluation has been deferred.

Auditor appointment, independence and non-audit services

KPMG were appointed as external auditor in September 2015 following a comprehensive tender process. In 2016, the Audit Committee reviewed and approved a new policy on external auditor independence and non-audit services which brought the Group's policy into line with the EU Regulation and Statutory Audit Directive (which came into force in 2016) and encompasses 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 £100,000 must be approved by the Audit Committee Chairman and spend in excess of £100,000 requires approval by the full Audit Committee.

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 that they employ to safeguard their independence, integrity and objectivity.

KPMG undertook a significant level of non-audit work during the period which related to the preparation of a working capital report in respect of the proposed sale of the Group's *Ambrosia* brand and assurance work in respect of the issue of £300m 5 year Senior Secured fixed rate notes during the first quarter of 2018/19. As a consequence, non-audit fees for the period were £493,020 (2017/18: £115,000) representing 127% of the audit fee. The Committee is mindful of guidelines in respect of non-audit services and the potential threat to auditor independence. The Committee assessed that, in both cases, the nature of the work would be best performed by KPMG due to their knowledge of the business, the timescale required for completing the assignments and the overall cost in undertaking the work. In addition, KPMG consulted their own internal Audit Quality and Risk Management team prior to agreeing the engagements. 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.

External auditor effectiveness

Over the course of the year, the Committee has continued to review the effectiveness and independence of the auditor and assessed the effectiveness of the external audit process by reference to the scope of the audit work undertaken, presentations to the Committee, feedback from management involved in the audit process and separate review meetings held without management. Following this assessment, the Committee has recommended to the Board that KPMG be reappointed at the AGM in 2019 (the Board's recommendation is set out on page 43).

Risk management

Details of our risk management process are set out in the risk management section on pages 26 to 31.

Internal controls

In accordance with the FRC guidance on audit committees and the Code, an annual review of internal controls is conducted. The Board has delegated authority to the Audit Committee to monitor internal controls and conduct the 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 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

Audit work over the year focused on the following five core areas:

Governance and oversight – Data protection, anti-bribery and corruption and Competition law.

Business and Operations – Trade promotions management, business continuity planning, accounts payable and inventory management.

Finance, HR & admin – Payroll, expenses and the control framework.

Site/Factory – Financial and operational control environment.

Technology – Cyber security systems, policies, procedures and controls.

Following my appointment as Audit Committee Chair, I have held a number of meetings with the Head of Internal Audit. In addition, the Committee has considered the effectiveness of the function as part of its review and approval of the three-year audit plan and has also considered the resourcing of the function and its interaction with the external auditor. The Committee has concluded that the internal audit function remains 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 43.

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.

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, including volumes sold and the period of the arrangements. 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 trade promotions management system which included certain areas of commercial arrangements. Further information is set out in note 3.4 on page 84.

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 rely on management judgement.

The brands, trademarks and licences are deemed to be individual Cash Generating Units (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. There is no goodwill attributable to the Sweet Treats or Knighton CGUs and the International CGU 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 and costs to sell the 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 £30.6m impairment relating to two of the Group's brands was required. A goodwill impairment of £4.3m was recognised during the prior period relating to Knighton. Further information is set out in notes 11 and 12 on pages 93 and 94.

Audit Committee report

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 30 March 2019 the RHM Pension Scheme reported a surplus of £837.8m and the Premier Schemes reported a deficit of £464.7m (2017/18: RHM Pension Scheme surplus of £754m; Premier Schemes deficit of £437.0m), largely driven by the decrease in the discount rate which is based on corporate bond yields and increase 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 and also the methodology for calculating the GMP equalisation charge. While the impact of GMP equalisation will take a number of years to fully assess, the Committee reviewed management's best estimate of the impact on liabilities and corresponding charge to the statement of profit and loss. The financial assumptions were based on the same methodology as last year. Further information is set out in note 20 on pages 105 to 111.

Deferred Tax

Deferred tax arises due to timing differences and can either be an asset or liability on the balance sheet. An asset may be used to reduce future taxable income; a liability represents a future tax payment that is expected to be made. Calculating the value of the asset or liability accurately involves assessing several factors such as forecasts of future taxable profits and growth rates and an assessment of historic forecasts as well as accessibility of losses held in Group companies and any periods open to HMRC enquiry. The current year liability of £13.5m was compared to a liability of £12.1m in 2017/18, largely driven by a slight increase in the pension scheme combined surplus. Further information is set out in note 8 on pages 88 to 90.

Outsourcing of warehousing and distribution

Given the continued complexity associated with the transition to the single warehousing and distribution provider and the resulting financial implications, the Audit Committee reviewed the quantum, nature and classification of associated implementation costs as well as the valuation of inventory at the period end. In doing so, the estimation uncertainty inherent in the inventory valuation was reviewed as well as any judgement applied by management when classifying implementation costs as restructuring.

Simon Bentley
Audit Committee Chairman
14 May 2019

Other statutory information

Directors' report

The directors' report consists of pages 02 to 61 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 loss before tax for the financial year was £(42.7)m (2017/18: profit of £20.9m). The directors do not recommend the payment of a dividend for the period ended 30 March 2019 (2017/18: £nil). Under the terms of our current financing arrangements dividends are only permitted once the Group's Net debt to EBITDA ratio (as defined in the relevant agreements) 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 £9.9m (2017/18: £9.2m).

Share capital information

The Company's issued share capital as at 30 March 2019 comprised 844,928,687 ordinary shares of 10p each. During the period 4,306,470 ordinary shares were allotted to satisfy 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 112. 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 of the Company 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 2018 AGM to allot relevant securities under two separate resolutions (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. This authority will apply until the conclusion of the 2019 AGM. A similar authority will be sought from shareholders at the 2019 AGM. The Company does not currently have authority to purchase its own shares and no such authority is being sought at the 2019 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 49.

Articles of association

The Company's Articles (which are available on the Group's website www.premierfoods.co.uk) may only be amended by a special resolution at a general meeting. 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 13 May 2019, 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	19.47
Oasis Management Company Ltd	101,312,591	11.99
Paulson & Co. Inc.[3]	101,199,294	11.98
Brandes Investment Partners, L.P.	43,026,105	5.09
Bank of America Corporation	42,162,265	4.99
JPMorgan Chase & Co	45,797,425	5.42
Standard Life Aberdeen plc	39,171,378	4.64

1. Number of shares held at date of notification.
2. Per cent of share capital as at 30 March 2019.
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, reappoint or remove directors by an ordinary resolution. In addition, the appointment of Messrs Honda, Kilic and Wosner are subject to the terms of shareholder relationship agreements (see Conflicts of interest on page 35).

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.

Political donations

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

Greenhouse gas (GHG) emissions reporting

In the table opposite we have detailed our scope 1 & 2 GHG emissions for the period 1 January 2017 to 31 December 2018 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. In comparison with 2017, we have reduced our GHG emissions by 17.2% in 2018. The reduction in emissions is largely the result of the move from kerosene to natural gas at our Lifton site and the reduction in the overall amount of coal power generated electricity used by the National Grid.

GHG Emissions	2018	2017	Base Year (2011)
Scope 1	**38,938.29**	44,157.39	158,164.71
Scope 2	**25,779.88**	31,792.58	133,046.62
Total annual net emissions	**64,718.17**	75,949.97	291,211.33
Overall Intensity (kgCO_2e per tonne of product)	**181.84**	219.69	143.3

Methodology

Premier Foods' GHG emissions were assessed and calculated using internal data and emission factors from Defra's Conversion Factors for Company Reporting 2018 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 Company during the period.

Colleague 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 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, while in head office we run 'Listening Groups' and also host 'Meet the CEO' sessions and 'Lunch and Learn' events.

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.

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.

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 77. The Company's viability statement is set out in the section on risk management on page 31.

Related parties

Details on related parties can be found in note 27 on page 117.

Subsequent events

Details relating to subsequent events can be found in note 28 on page 117.

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 in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- 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 reappointed as auditor of the Company. Upon recommendation of the Audit Committee the reappointment of KPMG and the setting of their remuneration will be proposed at the 2019 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 14 May 2019 and signed on its behalf by:

Simon Rose
General Counsel & Company Secretary
companysecretary@premierfoods.co.uk

Directors' Remuneration report

Annual Statement

Dear shareholder

There is currently no Chair of the Remuneration Committee, following the retirement of Jennifer Laing, who stepped down from the Board in February 2019. The Board intends to remedy this situation as soon as is practicable. I have been nominated, on behalf of the Board, to make this statement in respect of the Directors' Remuneration report for the period ended 30 March 2019.

Gavin Darby

Following discussions between the Board and Gavin Darby it was announced on 13 November 2018 that he would step down as CEO of the Company, with effect from 31 January 2019, having served as CEO for six years. The Committee exercised discretion to treat Mr Darby as a 'good leaver' in relation to his leaving arrangements (which were made available following his departure on the Group's website) and full details are provided on page 53. All payments were made pursuant to the terms of his service agreement and in line with the Directors' Remuneration Policy and applicable share plan rules.

Alastair Murray

Alastair Murray was appointed Acting CEO on 1 February 2019, in addition to his current role of Chief Financial Officer, on a temporary basis whilst the Board conducts a search process for a new CEO. In recognition of this significant additional responsibility, it was agreed that Alastair would receive an additional monthly salary supplement of £20,000 (which does not count towards pension, annual bonus or long-term incentives) whilst he carries out this role.

Annual Bonus performance outcome for 2018/19

The Committee reviewed the performance of both executive directors over the financial period and assessed the extent to which their annual bonus goals had been achieved. The Group delivered a strong performance in 2018/19 with Trading profit up 4.5% and Net debt reduced significantly from £496.4m to £469.9m, both ahead of market expectation.

In addition, the Committee assessed the executive directors' strategic and personal goals and it was agreed that a significant proportion of these had been successfully achieved. Following the review the Committee assessed that, based on performance over the year, a bonus of 60.0% of opportunity for Mr Darby (reduced pro rata for his period of service) and of 53.0% of opportunity for Mr Murray was appropriate. Full details of the assessment are set out on pages 53 to 55.

One-third of any annual bonus payment to Mr Murray will be 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 56. The time pro-rated bonus payable to Mr Darby will be paid fully in cash, in accordance with the 'Policy on payment for loss of office' (see page 50).

Annual Bonus for 2019/20

The Committee reviewed the structure of the annual bonus scheme during the year and has made a number of changes to simplify the performance measure and their weightings, whilst maintaining alignment with the delivery of the Group's strategy. As a result, the personal element of bonus has been removed and the weighting for Strategic measures increased to 50%. In addition, the overall number of Strategic objectives has been reduced. These changes are all within the Company's existing Remuneration Policy.

Annual Bonus performance measures	2018/19	2019/2020
Financial	50%	**50%**
Strategic	35%	**50%**
Personal	15%	**–**

LTIP

The Committee assessed the performance conditions for the 2016 LTIP award and, following this assessment, the award has lapsed in full. The targets for the annual bonus and LTIP awards for 2019/20 are aligned with the Group's strategic priorities and this is illustrated in the table opposite. Further details of the measures for 2019/20 are provided on page 57.

Salary

The Committee approved a salary increase for 2018/19 of 2.0% for Mr Murray, in line with the increase for all colleagues not involved in collective bargaining.

Remuneration Policy

In line with regulatory requirements, the Committee will be reviewing the Company's Remuneration Policy during the year and the new Remuneration Policy will be put to shareholders at the AGM in 2020.

Voting at the AGM

The Company received a significant vote against the Remuneration Report at the AGM in July 2018. This was the result of certain shareholders opposing a number of resolutions at the meeting, rather than an issue specifically directed at the Company's Remuneration Policy. As highlighted in the Chairman's Statement on page 03, the Board continues to give careful consideration to the views of all shareholders and continues to look at strategic options which may accelerate the creation of shareholder value.

2018 UK Corporate Governance Code

Following the publication of the UK Governance Code in 2018, the Committee is undertaking a review of remuneration arrangements in light of the new requirements.

On behalf of the Board
14 May 2019

Richard Hodgson
Non-executive director

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 and 06).

Strategic priority	Group KPIs (see pages 08 and 09)	Annual Bonus Goals (see page 56)	LTIP targets (see page 57)
Drive revenue growth	Group revenue Trading profit Branded market share	Trading profit Strategic objectives	Adjusted EPS
Cost control & efficiency	SG&A as a % of Group revenue	Net debt Strategic objectives	
Cash generation	Free cash flow	Net debt Strategic objectives	
Reducing Net debt	Net debt/EBITDA	Net debt Strategic objectives	
Delivering shareholder value		Strategic objectives	Relative TSR
Being responsible and sustainable	Health and safety Healthier choices Environmental (see pages 18 to 25)	Strategic objectives	

Share ownership and retention periods

To align executive directors' interests with those of shareholders they 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 a value at least equal to their annual salary (valued at the time of purchase or vesting). In addition, to encourage a focus on the long-term sustainable development of the business, retention periods have been introduced for both the annual bonus scheme and Long-Term Incentive Plan. One-third of any annual bonus award is deferred into shares for three years under the Deferred Bonus Plan. In addition, any shares which vest under LTIP awards granted since 2018 will be deferred for a further two-year period.

Performance period
Retention period

Risk, discretion and judgement

The Committee seeks to ensure that targets for annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business. Targets are reviewed to ensure they reflect the overall risk appetite set by the Board and do not encourage inappropriate behaviours or excessive risk taking.

The Committee retains discretion to override formulaic outcomes produced by the performance conditions where, in the Committee's view, they do not reflect the performance of the business over the period, individual performance or where events happen that cause the Committee to determine the conditions are unable to fulfil their original intended role.

Malus and clawback

Recovery provisions apply to both the cash and share elements of the annual bonus plan and recovery and withholding provisions apply to the LTIP.

Non-executive directors

Fees payable to non-executive directors are determined by the Board. The level of fee is set in the context of the time commitment and responsibilities required by the role. As a result, additional fees are payable to the Chairs of the Audit and Remuneration committees and also for the role of Senior Independent Director. These are reviewed on an annual basis, no change has been made to the basic NED fee since 2009.

Senior management and the wider workforce

Remuneration for executive directors 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 sizes of roles and levels of accountability required for the role and that executive directors and senior management 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 July 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 and the Board is kept regularly updated on these arrangements.

The Committee reviews the level of salary increases for colleagues not involved in collective bargaining and also reviews and approves the annual bonus plan for the general management population. Financial objectives for executive directors and the management population are aligned and strategic objective cascaded down the management structure. During the year, the Committee approved changes to the management scheme to make it more competitive and aid recruitment and retention. 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 our shareholding guidelines. In line with the recommendations of the new UK Governance Code, published in 2018, the Committee is currently reviewing how it engages with colleagues across the business.

Directors' Remuneration report

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 30 March 2019 and has been updated to reflect 2018/19 pension limits, the current salary review date and current composition of the Board. In addition, the scenario chart on page 49 has been updated to reflect current remuneration levels. There are no proposals to amend the Directors' Remuneration Policy at the 2019 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 July) 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 in lieu of company car. 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 level of contribution or allowance for the current executive director is as follows: The Company contributes 7.5% of basic pay up to an Earnings Cap (£160,800 for 2018/19, but increasing each April in line with the Retail Prices Index) and pays a salary supplement (£24,348 for 2018/19), which increases each April in line with the Retail Prices Index).	N/A. **Performance period:** N/A.

	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 one-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. The current award level for the CFO is 150% of salary.	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 an 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.

Directors' Remuneration report

	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 (which is currently 100% of salary). 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. Currently the annual bonus measures consist of financial targets (50%) and strategic objectives (50%). 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.

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.

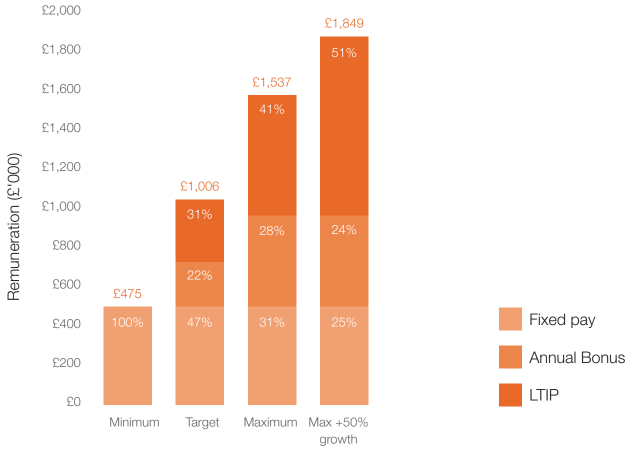
In addition, the Committee also retains the discretion within the policy to amend the existing performance conditions for the incentive plans if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose.

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.

2. Remuneration scenarios and weighting

This chart indicates the level of remuneration that could be earned by the current executive director at minimum, target, maximum and maximum +50% growth, under the Company's current Directors' Remuneration Policy.

Chief Financial Officer



Notes:

1. As the DBP is a portion of Annual Bonus it is included within this segment.
2. 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.
3. Assumptions when compiling the charts are:
   Minimum = fixed pay only (base salary, benefits and pension).
   Target = 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.
   Maximum +50% growth = fixed pay plus 100% of Annual Bonus payable and 100% of LTIP vesting at a 50% higher share price than when the LTIP was awarded.

3. Service contracts

The current executive director has a rolling service contracts. The current executive director's service contract contains the key terms shown in the table below. 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 agreement does not provide for any enhanced payment in the event of a change of control of the Company.
Notice period	Standard notice period is set at 12 months from the executive director 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 Messrs Honda, Kilic and Wosner whose appointments are governed by their Relationship Agreements between the Company and Nissin Foods Holdings Co., Ltd, Paulson & Co. Inc. and Oasis Management Company Ltd, respectively.

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).

Directors' Remuneration report

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 former CEO was 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 former CEO was 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.

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.

Notes:
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 July 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.

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.

Directors' Remuneration report

Annual Report on Remuneration

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the AGM on 17 July 2019.

Single figure table for total remuneration (audited)

Single figure for the total remuneration received by each executive director for the 52 weeks ended 30 March 2019 (2018/19) and 31 March 2018 (2017/18).

	Gavin Darby		Alastair Murray	
	2018/19 £'000	2017/18 £'000	**2018/19 £'000**	2017/18 £'000
Salary	**583**	700	**416**	408
Salary supplement	**–**	–	**40**	–
Taxable benefits	**17**	22	**27**	24
Pension	**117**	140	**36**	35
Annual Bonus	**525**	368	**232**	153
Share based awards	**–**	–	**–**	–
Total	**1,242**	1,230	**751**	620

Gavin Darby

Mr Darby received a basic salary of £700,000 per annum and a salary supplement in lieu of pension of 20% of base salary on a pro rata basis for the period up to 31 January 2019. Mr Darby received a pro rata bonus of £525,500 for the financial period to 31 January 2019. Benefits were provided for the period up to 31 January 2019 relating to the provision of an executive driver service, private health insurance and annual medical assessment.

Alastair Murray

Mr Murray received a basic salary for the period of £416,201 per annum and an annualised supplement in lieu of pension of 7.5% of the Earnings Cap (£160,800 for the 2018/19 tax year) which equates to £12,060 for the period together with an additional RPI adjusted pensions supplement of £24,348. He was appointed Acting CEO on 1 February 2019, in addition to his current role of Chief Financial Officer, on a temporary basis whilst the Board conducts a search process for a new CEO. In recognition of this significant additional responsibility, it was agreed that Mr Murray would receive a monthly salary supplement of £20,000 (which does not count towards pension, annual bonus or long-term incentives) whilst he carries out this role.

Mr Murray received a bonus of £231,615 for the financial period. Benefits related to the provision of a company car, use of an executive driver service (following his appointment as Acting CEO) and private health insurance. In line with the current Remuneration Policy, one-third of his annual bonus award will be in the form of shares deferred for three years.

Full details of the annual bonus performance assessments for Mr Darby and Mr Murray are set out on pages 53 to 55.

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 was 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.

In line with the salary increase to all employees not involved in collective bargaining, the Committee approved a 2.0% salary increase for the CEO and CFO for 2018/19 (which took effect on 1 April 2018). Gavin Darby elected not to take a salary increase and therefore his salary remained unchanged from his appointment in 2013. The Company has moved the annual salary review date from 1 April to 1 July so that it takes place after the completion of the Group's annual performance review. The Committee reviewed the proposals for 2019/20 and approved an increase of 2.5% to Mr Murray's CFO salary, in line with all employees not involved in collective bargaining with effect from 1 July 2019. In this transitional year, the increase will be backdated to 1 April 2019.

Executive director	**Salary from 1 April 2018**	Change	Salary from 1 April 2017
Gavin Darby	**£700,000**	–	£700,000
Alastair Murray	**£416,201**	+2.0%	£408,040

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

Payments for loss of office in the year totalled £498,654 (2017/18: nil) and no other payments were made to former directors. This consisted of £461,779 paid to Mr Darby (see below for further details). In addition £20,000 was paid to Ian Krieger and £16,875 was paid to Jennifer Laing, in lieu of notice, following their departure from the Board.

The Committee exercised discretion to pay Mr Darby £863,557 in lieu of his 12-month notice period in respect of salary, contractual benefits and pension supplement. This will be paid in two equal instalments (the first was paid immediately following Mr Darby's resignation as a Director and the second payment of £431,779 will be made six months following the resignation date). In the event of him becoming otherwise employed or engaged before the second payment is made, it will be reduced by the amount received (or to be received over the next six months) in respect of such employment or engagement, save for the potential for one permitted non-executive directorship, as contemplated by his service agreement. In addition, the Company agreed to make a payment of £20,000 for advisory services provided to Mr Darby following his departure and a payment of £10,000 (excluding VAT) towards legal fees incurred in connection with his departure.

The Remuneration Committee exercised its discretion to treat Mr Darby as a 'good leaver' in relation to his annual bonus, Long-Term Incentive Plan and Deferred Bonus Plan awards.

As a result, he was eligible to receive a pro rata bonus in respect of time served in the financial year ended 30 March 2019.

Awards under the Premier Foods Long-Term Incentive Plan will, in accordance with the Company's Remuneration Policy and the rules of the Plan, after a time pro rata reduction to reflect the period of time served during the applicable vesting period, vest on the normal vesting dates, subject to satisfaction of the applicable performance conditions at the end of the performance period. The value of any shares that may vest will be calculable at the relevant dates of vesting.

An award under the Premier Foods Deferred Bonus Plan (over 299,291 shares arising from the 2017/18 bonus award) will, in accordance with the Directors' Remuneration Policy, vest on the normal vesting date in full without time pro-rating. The value of the shares will be calculable at the date of vesting. The Remuneration Committee exercised its discretion to disapply time pro-rating in respect of the award.

In accordance with the rules of the Sharesave plan, Mr Darby's Sharesave options lapsed when his employment ended.

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 2018/19

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 Chief Executive's review on pages 03 and 05, the Group delivered a strong overall performance in 2018/19 with Trading profit up +4.5% to £128.5m and Net debt reduced significantly from £496.4m to £469.9m, both ahead of market expectation.

When assessing performance against the Financial target for Net debt, the Committee and management agreed it would be appropriate to adjust the outcome for the year to reflect the partial repayment of a loan note from the Group's Associate company, Hovis (see page 15) and this reduced the final assessment from 10% to 8%.

The Committee 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 60.0% of opportunity for Mr Darby (reduced pro rata for his period of service) and of 53.0% of opportunity for Mr Murray was appropriate. Further details of the specific Financial, Strategic and Personal targets and the performance outcome are set out in the tables on pages 54 and 55. Individual weightings have been provided for each Strategic objective. One-third of any annual bonus payment to Mr Murray will be 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 56. The time pro-rated bonus payable to Mr Darby will be paid fully in cash, in accordance with the 'Policy on payment for loss of office' (see page 50).

Directors' Remuneration report

Gavin Darby (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Performance (% of max bonus)
	Annual Bonus				
Financial objectives (subject to a Trading profit underpin of £125.0m)					
Trading profit	£128.5m	£136.5m	£128.5m	40.0%	**20.0%**
Net debt	£485.1m	£470.0m	£469.9m	10.0%	**8.0%**
				50.0%	**28.0%**

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Short to medium-term Strategic objectives (subject to a Trading profit underpin of £125.0m)			
Business Development	Rationalised margins across the business and entered new Caribbean market, however, overall performance below expectation.	10.0%	**5.0%**
Strategic Partnerships	Successfully developed Nissin and Mondelēz International relationships with significant increase in Nissin Cup Noodle and Soba Noodles distribution and the launch of *Cadbury* cake in South Africa.	10.0%	**5.0%**
Knighton Foods	Continued turnaround of Knighton Foods business with new three-year plan.	10.0%	**7.5%**
Cost and efficiency	Successful implementation of Phase two of logistics transformation project but with significant implementation challenges during Phase three, impacting customer service and sales performance. Following completion of the consolidation exercise, customer service levels have returned to normal.	5.0%	**0.0%**
		35.0%	**17.5%**
Personal objectives			
ELT succession plans	Succession plans for ELT and senior leadership team shared with the Board.		
Stakeholder engagement	Joined the new Secretary of State Food and Drink Sector Council and progressed health and wellness agenda. Introduced new sustainability framework with KPIs.		
		15.0%	**14.5%**
	Final outcome	100%	**60.0%**

Alastair Murray (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Performance (% of max bonus)
		Annual Bonus			
Financial objectives (subject to a Trading profit underpin of £125.0m)					
Trading profit	£128.5m	£136.5m	£128.5m	40.0%	**20.0%**
Net debt	£485.1m	£470.0m	£469.9m	10.0%	**8.0%**
				50.0%	**28.0%**

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Short to medium-term Strategic objectives (subject to a Trading profit underpin of £125.0m)			
Corporate development opportunities	Completed review of strategic options and managed potential *Ambrosia* sale process. Successful completion of initiatives to ensure continued debt reduction and delivery of our Net debt/EBITDA target.	9.0%	**6.0%**
Knighton Foods	Continuation of Knighton stabilisation and turnaround plan.	9.0%	**3.0%**
Logistics consolidation	Phase two of logistics transformation project completed but operational difficulties during Phase three resulted in financial performance being adversely affected and realisation of cost reduction targets delayed.	8.0%	**0.0%**
Corporate development	Negotiated extension to the Group's revolving credit facility, extending maturity from December 2020 to December 2022 and successfully issued new five-year £300m Senior Secured fixed rate notes due 2023.	9.0%	**6.0%**
		35.0%	**15.0%**
Personal objectives			
Shared service centre and operational efficiency	Introduction of robotics project within shared financial service centre and delivery against a number of KPIs.		
IT System Security	Strengthened IT security systems across the Group following review with the Board.		
Organisational development	Reviewed and strengthened capability within the head office finance team and implemented action plan arising from colleague engagement survey.		
		15.0%	**10.0%**
	Final outcome	100%	**53.0%**

Directors' Remuneration report

Annual bonus measures for 2019/20

As discussed in the Annual Statement on page 44, during the year the Committee agreed to simplify the weightings for the annual bonus performance measures.

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 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 both contain Trading profit underpins.

One-third of any annual bonus awarded in respect of the 2019/20 financial year will be deferred in shares for three years under the Deferred Bonus Plan.

Alastair Murray	
Maximum opportunity as a % of salary	105%

Performance measure	Weighting
Financial objectives (subject to a Trading profit underpin)	
Trading profit	40%
Net debt	10%
	50%
Strategic objectives (subject to a Trading profit underpin)	
• Strategic review	
• Business development opportunities	
• Logistics transformation	
	50%
	100%

Deferred Bonus Plan (DBP)

One-third of any annual bonus payment awarded to executive directors is made 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 clawback provisions. Details of the DBP awards granted on 8 August 2018 are set out below:

	2017/18 Annual Bonus	Bonus deferral (one-third)	Shares awarded	Deferral period
Gavin Darby	£367,500	£122,500	299,291	08.08.18 – 08.08.21
Alastair Murray	£152,954	£50,985	124,565	08.08.18 – 08.08.21

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 58) vested 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.

Performance assessment for the 2016 LTIP award

The performance conditions for the 2016 LTIP award were based on a relative TSR condition (comprising two-thirds of the award) and an adjusted EPS condition (comprising one-third of the award). The Committee assessed the two performance conditions in May 2019 and concluded that the targets had not been met and consequently the 2016 LTIP award has lapsed.

LTIP award for 2018/19 (audited)

Details of the LTIP award granted on 8 August 2018 are set out below.

	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%	£624,302	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.

LTIP award for 2019/20

For the 2019/20 award the Committee proposes to use the same measures as the 2018/19 LTIP award, i.e. a relative TSR condition (comprising two-thirds of the award) and an adjusted EPS condition (comprising one-third 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 5.9% to 9.3%. 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 58.

	Basis of award	Max value on award date	Performance period
Alastair Murray	150%	£624,302	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	< 10.1p	10.1p	11.1p
% 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. 2018/19 base year adjusted EPS was 8.5p.
3. Straight-line vesting between threshold and stretch.

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 381,850 shares as at 30 March 2019). 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 2.5%.

Pension payments

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

	Cash in lieu of contributions to DC-type pension plan £'000
Gavin Darby	117
Alastair Murray	36

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. Mr Darby and Mr Murray receive all of their contributions in cash and neither participates in the Group's DC pension plan.

Directors’ Remuneration report

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 30 March 2019	Shares owned as at 31 March 2018	Extent to which share ownership guidelines met	Unvested share interests under LTIP Awards	Unvested share interests under DBP Awards	Sharesave Awards	**Total**
Gavin Darby[1]	**5,601,595**	5.601,595	471%	5,349,359	299,291	–	**11,250,245**
Alastair Murray	**392,878**	309,522	69%	4,471,110	124,565	24,732	**5,013,285**

1. Held in the name of Mr and Mrs Darby. Mr Darby stepped down as CEO on 31 January 2019 and the shareholding information reflects the position at that date.

Executive share awards (audited)

	Date of grant	Balance as at 1 April 2018	Awarded in the year	Exercised in the year	Lapsed in the year	**Balance as at 30 March 2019**	Option price	Share price on date of grant	Share price on date of exercise	Vesting date	Maximum expiry date
Gavin Darby											
LTIP [1,2]	11.06.15	3,294,117	–	–	3,294,117	**–**	–	42.00	–	31.03.18	10.06.22
	03.06.16	3,294,117	–	–	370,024	**2,924,093**	–	42.50	–	31.03.19	02.06.23
	13.06.17	3,444,034	–	–	1,568,041	**1,875,993**	–	40.50	–	31.03.20	12.06.24
	08.08.18	–	3,420,473	–	2,871,200	**549,273**	–	41.20	–	31.03.21	07.08.25
DBP	08.08.18	–	299,291	–	–	**299,291**	–	41.20	–	08.08.21	08.08.28
Sharesave Plan [4]	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
		10,057,000	3,719,764	-	8,128,114	**5,648,650**					
Alastair Murray											
LTIP [1]	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
	08.08.18	–	1,525,287	–	–	**1,525,287**	–	41.20	–	31.03.21	07.08.25
DBP	08.08.18	–	124,565	–	–	**124,565**	–	41.20	–	08.08.21	08.08.28
DSBP [3]	03.06.16	157,560	–	157,560	–	**–**	–	42.50	–	02.06.18	02.12.18
Sharesave Plan [4]	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
		4,910,467	1,649,852	157,560	1,782,352	**4,620,407**					

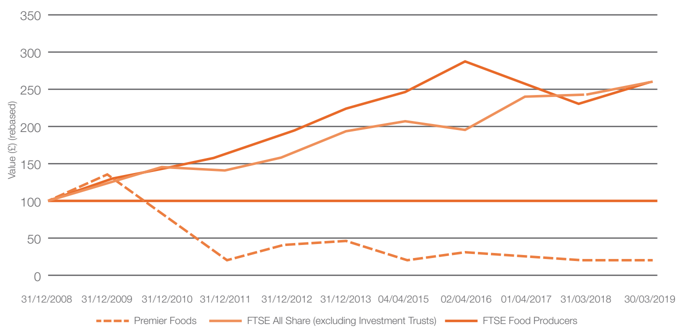
1. The Remuneration Committee concluded that the performance conditions for the 2016 LTIP had not been met and consequently the award lapsed in full on 9 May 2019.
2. The shares shown as lapsed under Mr Darby’s 2016, 2017 and 2018 LTIP awards illustrate the impact of time pro-rating following cessation of his employment on 31 January 2019.
3. Mr Murray exercised an option over 157,560 shares under the Deferred Share Bonus Plan on 20 September 2018. 74,204 shares were sold at a price of 42.25p to cover tax and NI and the remaining 83,356 shares were retained.
4. 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. Mr Darby’s outstanding Sharesave awards lapsed on the cessation of his employment on 31 January 2019.

Share ownership for the wider Group

The Committee recognises the importance of aligning colleagues interests 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. Participation in the Sharesave Plan currently represents approximately 25% of colleagues.

Total shareholder return

The market price of a share in the Company on 29 March 2019 (the last trading day before the end of the financial period) was 36.40 pence; the range during the financial period was 46.85 pence to 30.00 pence.



Source: FactSet

This graph shows the value, by 30 March 2019, 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 nine financial periods. The figures for 2014/15 represent a 15-month period.

Year	CEO	Single Figure for total remuneration	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2018/19	Alastair Murray[1]	£158,297	53.0%	–
2018/19	Gavin Darby[1]	£1,241,708	60.0%	–
2017/18	Gavin Darby	£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. Mr Darby stepped down as CEO on 31 January 2019 and Mr Murray was appointed Acting CEO, in addition to his role as Chief Financial Officer, with effect from 1 February 2019. For Mr Murray the figure was calculated as his pro rata CFO salary, pension, bonus and benefits plus his £20,000 monthly salary supplement for the period he was Acting CEO. Full details of the single figure for total remuneration are set out on page 52.

Percentage change in CEO pay

For the purpose of this table, pay is defined as salary, benefits and annual bonus. The figure for the CEO is a combination 10 months pro rata salary for Mr Darby and 2 months pro rata CFO salary for Mr Murray plus the monthly salary supplement for the period Mr Murray was Acting CEO. 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 2018/19	% Change 2017/18	**% Change 2018/19**	% Change 2017/18
Base salary	**-1.1%**	0%	**+2.0%**	+2.0%
Benefits	**0%**	0%	**0%**	0%
Annual bonus	**+53.2%**	–	**+111.2%**	–11.3%

GOVERNANCE

Directors' Remuneration report

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs. The figure for 2018/19 includes GMP equalisation costs of £41.5m, for further information see note 6 on page 87. 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).

	2018/19	2017/18	Improvement/ Deterioration
Total employee costs	**£202.3m**	£149.8m	+35.0%
Free cash flow	**£29.2m**	£28.8m	+1.4%
Net debt	**£469.9m**	£496.4m	+5.3%

Non-executive directors (audited)

Single figure for the total remuneration received by each non-executive director for the financial periods ended 30 March 2019 and 31 March 2018.

Director	Basic fee	Committee Chair fee	SID fee	Total fees 2018/19	Total fees 2017/18
Keith Hamill	235,000	–	–	**235,000**	117,500
Simon Bentley[2]	4,988	–	–	**4,988**	–
Richard Hodgson	57,000	–	–	**57,000**	57,000
Shinji Honda[1]	–	–	–	**–**	–
Orkun Kilic[1]	–	–	–	**–**	–
Pam Powell	57,000	–	–	**57,000**	57,000
Daniel Wosner[1]	–	–	–	**–**	57,000
Former directors					
David Beever[3]	265,000	–	–	**–**	161,610
Ian Krieger[4]	52,250	11,916	9,167	**73,333**	80,000
Jennifer Laing[4]	52,250	9,625	–	**61,875**	67,500

1. Messrs Honda, Kilic and Wosner are appointed pursuant to relationship agreements with our three largest shareholders and do not receive a fee for their roles as non-executive directors. Mr Wosner served as a non-executive director from March 2017 to March 2018 and during this period he received a basic NED fee of £57,000.
2. Mr Bentley was appointed Chair of the Audit Committee on 28 March 2019 and will receive an additional fee of £13,000 per annum from that date.
3. David Beever retired from the Board on 9 November 2017.
4. Ian Krieger and Jennifer Laing both stepped down from the Board in February 2019 and received a payment of £20,000 and £16,875, respectively, in lieu of notice, as set out under payments for loss of office on page 53.

Non-executive directors' fees

The fees of our non-executive directors (NEDs) are set out below. A review of non-executive directors' fees was last undertaken in February 2018 and no increase to fees was recommended.

NED Fees	30 March 2019	Change	31 March 2018
Chairman fee	**£235,000**	–	£235,000
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 reappointed for a further three-year period. The terms of appointment for Mr Honda, Mr Kilic and Mr Wosner are governed by the terms of the relationship agreements between the Company and Nissin, Paulson and Oasis, respectively.

NED	Date of original appointment	Expiry of current appointment/ amendment letter	Notice period
Keith Hamill	1 October 2017	AGM 2020	6 months
Simon Bentley	27 February 2019	AGM 2021	3 months
Richard Hodgson	6 January 2015	AGM 2020	3 months
Shinji Honda	23 March 2018	–	–
Orkun Kilic	27 February 2019	–	–
Pam Powell	7 May 2013	AGM 2019	3 months
Daniel Wosner	27 February 2019	–	–

Non-executive directors' interests in shares (audited)

NED	Ordinary shares owned as at 30 March 2019	Ordinary shares owned as at 31 March 2018
Keith Hamill	266,666	266,666
Simon Bentley[1]	–	–
Richard Hodgson	–	–
Shinji Honda	–	–
Orkun Kilic[1]	–	–
Pam Powell	160,366	160,366
Daniel Wosner[1]	72,850	72,850
Former directors		
Ian Krieger[2]	504,000	504,000
Jennifer Laing[2]	54,802	54,802

1. Messrs Bentley, Kilic and Wosner were appointed as non-executive directors on 27 February 2019.
2. Mr Krieger and Ms Laing stepped down as non-executive directors on 27 February 2019.

The Committee

Details of the Committee members and meeting attendance are set out on pages 32 and 33. Jennifer Laing stepped down as Remuneration Committee Chair and as a non-executive director on 27 February 2019. There is currently no Chair of the Remuneration Committee but the Board intends to remedy this situation as soon as is practicable. Throughout the financial period all members of the Committee have been independent. In addition, the Chairman, CEO, HR Director and Aon plc ('Aon') attended 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 four meetings.

Advisers

The Executive Compensation practice of Aon has been appointed as advisers to the Committee. During the year, Aon provided advice in connection with executive remuneration arrangements. 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 £40,255 (2017/18: £28,166) 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 2018 Directors' Remuneration Report;
- Reviewed the 2018/19 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 2019/20 annual bonus in accordance with the strategic objectives of the Group;
- Granted the 2018 awards under the Company's all-employee and executive share plans and agreed the targets for awards due to be made in 2019;
- Reviewed and approved the termination payments for Gavin Darby who stepped down as CEO and a director during the year; 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 director does not hold any external appointments with publicly quoted companies.

Statement of voting at Annual General Meeting

As referred to on page 44, there was a significant vote against the Directors' Remuneration Report at the AGM in 2018, full details of the voting on the resolutions are set out below.

	Approval of Directors' Remuneration Report 2017/18	% of votes cast	Approval of the current Directors' Remuneration Policy	% of votes cast
Date of AGM	18 July 2018		20 July 2017	
Votes for	451,896,084	74.77%	540,647,973	98.82%
Votes against	152,454,204	25.23%	6,432,867	1.18%
Total votes cast	604,350,288	100%	547,080,840	100%
Votes withheld	51,932,255		3,797,166	

The Directors' Remuneration Report was approved by the Board on 14 May 2019 and signed on its behalf by:

Richard Hodgson
Non-executive director

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 30 March 2019 which 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 accounting policies in note 2 to the Group financial statements and note 1 to the parent Company financial statements.

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 30 March 2019 and of the Group's loss 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;
- the parent 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 first appointed as auditor by the Directors on 4 September 2015. The period of total uninterrupted engagement is for the four the financial years ended 30 March 2019. 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 (2017/18: £4.5m) 0.55% (2017/18: 0.57%) of Group revenue	
Coverage	95% (2017/18: 95%) of Group revenue	
Key audit matters		vs 2017/18
Recurring risks (Group)	Valuation of defined benefit pension plans	▲
	Carrying value of goodwill and the Sharwood's brand*	▲
	Revenue subject to commercial arrangements	◀▶
New risks (Group)	The impact of the UK's decision to leave the European Union	▲
	Outsourcing of warehousing and logistics	▲
	Accuracy of amount for net deferred tax liabilities recognised	▲
Recurring risks (Company only)	Recoverability of balances with Group undertakings	◀▶

* Prior year risk related to both the Paxo and Sharwood's brand

KPMG

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

Key audit matters are those matters that, in our professional judgement, 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 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.

	The risk	Our response
The impact of the UK's decision to leave the European Union *Refer to page 31 (Brexit statement).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the carrying value of goodwill and the Sharwood's brand, and related disclosures and assess and challenge the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the Annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	Our procedures included: We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. • **Our Brexit knowledge** – We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • **Sensitivity analysis** – When addressing the carrying value of goodwill and the Sharwood's brand and other areas that depend on forecasts, we compared the Directors' analysis to our assessment if the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on the carrying value of goodwill and the Sharwood's brand we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under the carrying value of goodwill and the Sharwood's brand, we found the resulting estimates and related disclosures and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

	The risk	Our response
Valuation of defined benefit pension plans **Defined benefit obligation** (**£(4,667.6m)**; 2017/18: £(4,546.6m)) **Valuation of scheme assets for which a quoted price is not available (excluding swaps)** (**£931.5m**; 2017/18: £820.7m) **Guaranteed minimum pension (GMP) equalisation charge in the current year £(41.5m)** *Refer to page 40 (Audit Committee Report), page 83 (accounting policy) and page 105 (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. Due to the ruling over GMP in November 2018 there is an additional charge to the profit and loss account for the year. It will take some years for the impact of GMP to be fully assessed and in the meantime the Directors have included their best estimate of the impact on the valuation of the liabilities. The effect of these matters is that we determined that the pension assumptions have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Benchmarking assumptions:** Challenged, 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:** Assessed 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:** Used our pensions centre of excellence to obtain asset statements in respect of the schemes' investments directly from fund managers and custodians; • **Our actuarial expertise:** Utilised our own actuarial specialists to assess the methodology used in estimating the impact of GMP; • **Expectation vs outcome:** Utilised our own actuarial specialists to estimate the GMP impact by using our independent valuation model and compared this to the amount recognised by the Group, challenging the assumptions used; and • **Assessing disclosures:** Considered 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 net defined benefit pension plan assets/liabilities to be acceptable (2017/18: acceptable).

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

	The risk	Our response
Carrying value of goodwill and the Sharwood's brand **Goodwill** (**£646.0m**; 2017/18: £646.0m) **Sharwood's brand value** (**£23.4m**; 2017/18: £53.7m) *Refer to page 39 (Audit Committee Report), page 84 (accounting policy) and page 93 (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, which is all attributed to the Grocery cash generating unit, and the brand asset value for Sharwood's may not be recoverable. The effect of these matters is that we determined that the valuation assumptions used have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Assessing cash generating units:** Assessed the appropriateness of the cash generating units identified; • **Assessing methodology:** Assessed the methodology of the valuation models for the Grocery cash generating unit and the brands; • **Benchmarking assumptions:** Evaluated assumptions used in those models, in particular those relating to: i) the short and long-term revenue growth rates; ii) future changes in profitability; iii) the discount rates used; iv) the EBITDA multiple assumption; and v) royalty rate utilised in the brand assessments, comparing these with externally derived data and using our own valuation specialists where applicable; • **Sensitivity analysis:** Performed sensitivity analysis of key assumptions noted above; and • **Assessing disclosure:** Assessed 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 at 30 March 2019 of goodwill and Sharwood's brand to be acceptable (2017/18: carrying value at 31 March 2018 of goodwill, Sharwood's and Paxo brands acceptable).

Independent auditor's report

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

	The risk	Our response
Revenue subject to commercial arrangements **Commercial accruals** (**£(45.3m)**; 2017/18: £(46.2m)) *Refer to page 39 (Audit Committee Report), page 84 (accounting policy) and page 97 (financial disclosures).*	**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 the Directors 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 appropriate period for recognition. The estimation of commercial arrangements recognised is material and considered to be complex and judgemental, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Accounting policies:** Assessed 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:** Tested the design, implementation and effectiveness of the Group's manual and automated controls over the authorisation and calculation of rebates and discounts; • **Tests of details:** Compared a sample of promotions recorded during the financial year to supporting evidence such as customer acceptance, electronic point of sale data and customer debit notes to assess the accuracy of the estimate; • Examined credit notes issued after 30 March 2019 to assess the completeness of the commercial accruals recorded; • Examined changes to rebate and discount accruals after 30 March 2019 to assess the accuracy of accruals recorded at 30 March 2019; • Obtained supporting documentation for a sample of manual journals posted to revenue accounts; • Visited a selection of customer stores before the period end, identifying product promotions and assessing whether those promotions were appropriately accrued for; and • **Assessing disclosures:** Considered 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 subject to commercial arrangements to be acceptable (2017/18: acceptable).

KPMG

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

	The risk	Our response
Outsourcing of warehousing and logistics **Finished goods and goods for resale** (**£58.7m**; 2017/18: £62.3m) *Refer to page 40 (Audit Committee Report), page 84 (accounting policy) and pages 85 and 96 (financial disclosures).*	**Presentation appropriateness, physical quantities and subjective estimate** The Group has restructured its supply chain, outsourcing its warehousing and logistics to a single external provider. This restructuring has resulted in additional costs which the Directors have presented in restructuring costs. The Directors have applied judgement in determining whether such costs should be treated as non-trading. The inaccurate or inconsistent presentation and disclosure of these items could lead to distortion in reported trading profit results and insufficient transparency. Due to the business disruption caused by the restructuring, inventory management has been less than effective during the period. This has resulted in a risk in relation to the existence of the inventory recorded. The estimation of the valuation of finished goods, given the level of slow moving, short shelf life finished goods, damages and returns, is material and complex. The inventory provision recognised has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Control testing:** Evaluated the design and implementation of the Group's controls over the quantity of finished goods; • **Count vs system reconciliation:** Tested a sample of period end finished goods through performing an independent count and reconciling the results to the amounts recorded; • **Tests of detail:** Assessed the Directors' assumptions relating to finished goods provision against our own knowledge of their recent finished goods write offs; • Assessed the cost recorded compared with the net realisable value for a sample of finished goods; • Compared a sample of the items identified as restructuring to supporting documentation to assess the nature of the items and therefore if they have been appropriately included in restructuring costs based on the Group's accounting policy; and • **Assessing disclosures:** Assessed the presentation and transparency of restructuring costs. **Our results** The results of our testing were satisfactory. We consider the presentation of, and amount recorded for restructuring costs related to the outsourcing of warehousing and logistics to be acceptable as part of non-trading costs. We consider the value recorded in relation to finished goods to be acceptable.

Independent auditor's report

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

	The risk	Our response
Accuracy of amount for net deferred tax liabilities recognised **Deferred tax balances** (**£(13.5m)**; 2017/18: £(12.1m)) *Refer to page 40 (Audit Committee Report), page 83 (accounting policy) and page 88 (financial disclosures).*	**Processing and calculation error** The deferred tax assets and liabilities on a gross basis are highly material to the financial statements as a whole. The Group has material prior period losses and a complex historic tax position, with a number of years not fully agreed with HMRC. Given the complexity and historic nature of the tax position, there is a risk that there are errors in determining the amount of the net deferred tax liability recognised.	Our procedures included: • **Tests of detail:** Used our tax specialists we critically assessed the prior period losses brought forward, including assessing group relief allocations and reconciling amounts brought forward to the most recent tax computations; • Used our tax specialists to assess the impact of legislation, including corporate interest restrictions and corporate tax loss relief restrictions on the deferred tax balance; and • Assessed the model used to calculate the deferred tax balances and evaluating the inputs used. **Our results** The results of our testing were satisfactory and we consider the accuracy of the deferred tax balances to be acceptable.
Recoverability of balances with Group undertakings **Company only** (**£1,314.6m**; 2017/18: £1,296.9m) *Refer to page 120 (accounting policy) and page 121 (financial disclosures).*	**Subjective valuation** The carrying amount of the intra-group receivables balance represents 99% (2017/18: 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: • **Tests of details:** Compared 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 when the carrying amount exceeded the net asset value, compared the carrying amount with the expected value of the business based on a discounted cash flow analysis; and • **Benchmarking assumptions:** Evaluated assumptions used in the discounted cash flow analysis as described in the carrying value of goodwill and Sharwood's brand key audit matter above. **Our results** We found the Group's assessment of the recoverability of the Group receivables balance to be acceptable (2017/18: acceptable).

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

The materiality of the Group financial statements as a whole was set at £4.5m (2017/18: £4.5m), determined with reference to a benchmark of Group revenue of £824.3m (2017/18: £819.2m) of which it represents 0.55% (2017/18: 0.55%). 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 (2017/18: £0.6m), determined with reference to a benchmark of profit before tax of £15.4m (2017/18: £12.3m), of which it represents 3.9% (2017/18: 4.0%).

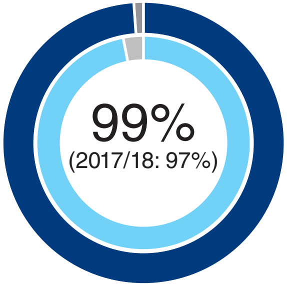
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.22m (2017/18: £0.22m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 33 (2017/18: 33) reporting components, we subjected 5 (2017/18: 5) to full scope audits for Group purposes.

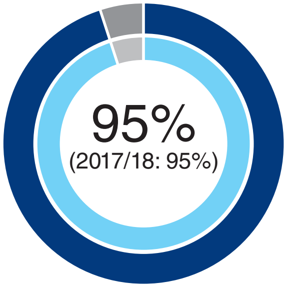
For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The component materialities ranged from £0.6m to £4.25m (2017/18: £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.

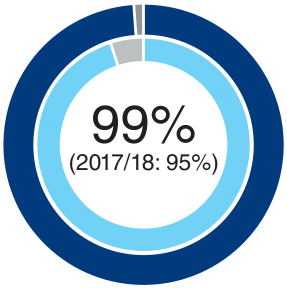
Total profits and losses that made up Group profit before tax



Group revenue



Group total assets



FINANCIAL STATEMENTS

Independent auditor's report

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- continued slow down in the broader macro-economic environment and therefore market share; and
- the potential for retail industry consolidation.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 page 31, 41 and 77 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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.

KPMG

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 31 and the Risk Management section on page 26 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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 parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 43, 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 parent 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 parent 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.

Independent auditor's report

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 general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation, the listing rules (given its listed status) and the disclosure guidance and transparency rules we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety (in relation to the factories it uses to produce products), competition law, food safety (relating to products they produce), labelling and environmental standards, employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter. Our additional audit procedures included further enquiry of the Directors and other management, inspection of regulatory and legal correspondence and obtained confirmation in respect of the non-compliance directly from external legal counsel.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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
14 May 2019

Consolidated statement of profit or loss

	Note	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Revenue	4	**824.3**	819.2
Cost of sales		**(542.6)**	(547.5)
Gross profit		**281.7**	271.7
Selling, marketing and distribution costs		**(119.8)**	(115.9)
Administrative costs		**(157.4)**	(86.5)
Operating profit	4, 5	**4.5**	69.3
Finance cost	7	**(56.7)**	(50.4)
Finance income	7	**9.5**	2.0
(Loss)/profit before taxation		**(42.7)**	20.9
Taxation credit/(charge)	8	**8.9**	(13.7)
(Loss)/profit for the period attributable to owners of the parent		**(33.8)**	7.2
Basic (loss)/earnings per share			
From (loss)/profit for the period (pence)	9	**(4.0)**	0.9
Diluted (loss)/earnings per share			
From (loss)/profit for the period (pence)	9	**(4.0)**	0.9
Adjusted earnings per share[1]			
From adjusted (loss)/profit for the period (pence)	9	**8.5**	7.6

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

Consolidated statement of comprehensive income

	Note	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
(Loss)/profit for the period		**(33.8)**	7.2
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	20	**53.2**	174.8
Deferred tax charge	8	**(9.1)**	(29.7)
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**(0.2)**	0.5
Other comprehensive income, net of tax		**43.9**	145.6
Total comprehensive income attributable to owners of the parent		**10.1**	152.8

The notes on pages 77 to 117 form an integral part of the consolidated financial statements.

Consolidated balance sheet

	Note	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
ASSETS:			
Non-current assets			
Property, plant and equipment	10	**186.0**	185.2
Goodwill	11	**646.0**	646.0
Other intangible assets	12	**366.4**	428.4
Net retirement benefit assets	20	**837.8**	754.0
		2,036.2	2,013.6
Current assets			
Inventories	14	**77.8**	76.4
Trade and other receivables	15	**89.2**	74.8
Cash and cash equivalents	23	**27.8**	23.6
Derivative financial instruments	18	**–**	0.1
		194.8	174.9
Total assets		**2,231.0**	2,188.5
LIABILITIES:			
Current liabilities			
Trade and other payables	16	**(238.0)**	(214.4)
Financial liabilities			
– derivative financial instruments	18	**(1.6)**	(2.1)
Provisions for liabilities and charges	19	**(9.7)**	(7.9)
		(249.3)	(224.4)
Non-current liabilities			
Financial liabilities – long term borrowings	17	**(497.7)**	(520.0)
Net retirement benefit obligations	20	**(464.7)**	(437.0)
Provisions for liabilities and charges	19	**(32.4)**	(35.7)
Deferred tax liabilities	8	**(13.5)**	(12.1)
Other liabilities	21	**(10.6)**	(10.0)
		(1,018.9)	(1,014.8)
Total liabilities		**(1,268.2)**	(1,239.2)
Net assets		**962.8**	949.3
EQUITY:			
Capital and reserves			
Share capital	22	**84.5**	84.1
Share premium	22	**1,408.6**	1,407.6
Merger reserve	22	**351.7**	351.7
Other reserves	22	**(9.3)**	(9.3)
Profit and loss reserve	22	**(872.7)**	(884.8)
Total equity		**962.8**	949.3

The notes on pages 77 to 117 form an integral part of the consolidated financial statements.

The financial statements on pages 73 to 76 were approved by the Board of directors on 14 May 2019 and signed on its behalf by:

Alastair Murray
Acting Chief Executive Officer and Chief Financial Officer

Consolidated statement of cash flows

	Note	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Cash generated from operations	23	**80.2**	89.4
Interest paid		**(32.0)**	(39.6)
Interest received		**1.9**	1.6
Other finance income		**7.6**	–
Taxation received		**–**	1.0
Cash generated from operating activities		**57.7**	52.4
Purchases of property, plant and equipment		**(14.3)**	(15.8)
Purchases of intangible assets		**(3.4)**	(3.4)
Sale of property, plant and equipment		**–**	1.3
Cash used in investing activities		**(17.7)**	(17.9)
Repayment of borrowings		**(325.0)**	(197.0)
Proceeds from borrowings		**300.0**	210.0
Financing fees		**(12.2)**	(7.0)
Proceeds from share issue		**1.4**	1.2
Cash (used) in/generated from financing activities		**(35.8)**	7.2
Net increase in cash and cash equivalents		**4.2**	41.7
Cash, cash equivalents and bank overdrafts at beginning of period		**23.6**	(18.1)
Cash, cash equivalents and bank overdrafts at end of period	23	**27.8**	23.6

The notes on pages 77 to 117 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	Total equity £m
At 2 April 2017		83.3	1,406.7	351.7	(9.3)	(1,039.6)	792.8
Profit for the period		–	–	–	–	7.2	7.2
Remeasurements of defined benefit schemes	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
At 1 April 2018		**84.1**	**1,407.6**	**351.7**	**(9.3)**	**(884.8)**	**949.3**
Loss for the period		**–**	**–**	**–**	**–**	**(33.8)**	**(33.8)**
Remeasurements of defined benefit schemes	20	**–**	**–**	**–**	**–**	**53.2**	**53.2**
Deferred tax charge	8	**–**	**–**	**–**	**–**	**(9.1)**	**(9.1)**
Exchange differences on translation		**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Other comprehensive income		**–**	**–**	**–**	**–**	**43.9**	**43.9**
Total comprehensive income		**–**	**–**	**–**	**–**	**10.1**	**10.1**
Shares issued		**0.4**	**1.0**	**–**	**–**	**–**	**1.4**
Share-based payments	22	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Deferred tax movements on share-based payments		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 March 2019		**84.5**	**1,408.6**	**351.7**	**(9.3)**	**(872.7)**	**962.8**

The notes on pages 77 to 117 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 14 May 2019.

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 items recorded at fair value. Amounts are presented to the nearest £0.1m.

The statutory accounting period is the 52 weeks from 1 April 2018 to 30 March 2019 and comparative results are for the 52 weeks from 2 April 2017 to 31 March 2018. All references to the 'period', unless otherwise stated, are for the 52 weeks ended 30 March 2019 and the comparative period, 52 weeks ended 31 March 2018.

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"), effective for periods on or after 1 January 2018, have been endorsed by the EU:

International Financial Reporting Standards

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Share based payments
Amendments to IAS 28 (early adopted)	Investments in Associates and Joint Ventures

The impact on adoption of the new or revised standards is explained in the following paragraphs with the exception of the amendment to IFRS 2 which has no material impact on the Group's results, net assets, cashflows and disclosures on adoption.

The following standards and amendments to published standards, effective for periods on or after 1 January 2019, have been endorsed by the EU:

International Financial Reporting Standards

IFRS 16	Leases
IFRS 23	Borrowing costs
Amendments to IFRS 9	Financial Instruments

The following standards and amendments to published standards, effective for periods on or after 1 January 2019, have not been endorsed by the EU:

International Financial Reporting Standards

Annual improvements to IFRS	2015-2017 cycle
Amendments to IAS 19	Employee Benefits

IFRS 9 Financial Instruments

On 1 April 2018 the Group adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not restated comparative information for prior periods as permitted by the standard.

- Classification and Measurement: On 1 April 2018, the Group reclassified its financial assets to the new categories based on the Group's reason for holding the assets and the nature of the cash flows from the assets. See note 18 for further information. There were no changes to the carrying values of the Group's financial assets from adopting the new classification model. There have been no changes to the classification or measurement of the Group's financial liabilities.
- Impairment: From 1 April 2018 the Group implemented an expected credit loss impairment model for financial assets. For trade receivables, the calculation methodology has been updated to consider expected losses based on the ageing profile and forward-looking information. The adoption of the expected credit loss approach has not resulted in any material change in impairment provision for any financial asset.

IFRS 15 Revenue from Contracts with Customers

On 1 April 2018 the Group adopted IFRS 15 'Revenue from Contracts with Customers' with no impact on the financial statements as the Group accounting policies were already in line with the new standard. This new standard has been applied retrospectively.

Notes to the financial statements

2. Accounting policies continued

IAS 28 Investments in Associates and Joint Ventures (amendment)

On 1 April 2018 the Group early adopted IAS 28 'Investments in Associates and Joint Ventures (amendment)', the amendment clarifies that the Group should apply IFRS 9 Financial Instruments to other financial instruments in an associate or joint venture. This includes the Group's long term interests in its associate Hovis Holdings Limited ("Hovis"). On early adoption of IAS 28 (amendment), the Group have applied the amendment retrospectively, although the comparative information relating to prior years will not be restated as the impact is immaterial.

IFRS 16 Leases

The preparations for this standard are substantially complete. The Group intends on adopting the 'modified retrospective' approach and in the full year 2019/20 reporting, the comparative information relating to prior years will not be restated.

The Group has reviewed all relevant contracts to identify leases. This review included an assessment about whether the contract depends on a specific asset, whether the Group obtains substantially all the economic benefits from the use of that asset and whether the Group has the right to direct the use of that asset. Based on this assessment, the estimated impact of IFRS 16 on the Group's financial statements at 30 March 2019 has been calculated as follows:

Balance sheet: The Group estimates that the adoption of IFRS 16 will result in total financial assets and liabilities of approximately £20m.

The Group estimates that the adoption of IFRS 16 will not have a material impact on the Statement of Profit or Loss or the Statement of Cashflows.

The Group intends to apply the exemptions provided by IFRS 16 for short-term leases (less than a year) and leases for low-value assets.

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 29 September 2018 and 30 March 2019. The Group's forecasts, taking into account reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current facilities including covenant tests. Notwithstanding the net current liabilities position of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 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. Other financial instruments in associates are accounted for under IFRS 9 Financial Instruments. The Group's only associate is Hovis, the investment for which was previously impaired.

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 when a customer gains control of the goods, 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.

(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.

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.

Notes to the financial statements

2. Accounting policies continued

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.

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.

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 value in use. 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 periods.

Deferred tax
Deferred tax 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 as at the balance sheet date.

The measurement of deferred tax assets and liabilities reflect the director's intention regarding the manner of recovery of an asset or settlement of a liability.

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

The directors have concluded that the corporation tax rate should apply to the recognition of deferred tax on the pension scheme surplus.

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

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.

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 or surplus 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 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 liability or surplus are recognised immediately in the statement of profit or loss.

Curtailments are recognised as a past service cost when the Group makes a 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 with no restrictions.

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.

Notes to the financial statements

2. Accounting policies continued

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. 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

Current year: Trade and other receivables are initially measured at the transaction price and at the point of recognition an expected credit loss is recognised to reflect the future risk of default. Trade receivables are subsequently measured at amortised cost less any additional, specific provisions for impairment. A specific 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.

Prior year: 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.

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 may include the use of estimates, which is fundamental to the compilation of a set of financial statements. Results may differ from actual amounts.

Critical accounting policies

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

3.1 Deferred tax

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

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

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

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

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

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

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

Further disclosures are contained within note 8.

Estimates

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

3.2 Employee benefits

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

Equalisation of Guaranteed Minimum Pension benefits ("GMP") has been estimated taking the minimum cost approach permitted by the Lloyds Judgment. The costs are based on a comparison of the cumulative value of members' benefits with the benefits of a notional member of the opposite sex. This is method C2 under the terminology of the Lloyds Judgment, more detail on GMP is included in note 20.

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

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

Notes to the financial statements

3. Critical accounting policies, estimates and judgements continued

3.3 Goodwill and other intangible assets

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

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

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

For further details see note 2.9 and note 12.

3.4 Commercial arrangements

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

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

3.5 Inventory valuation

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

Judgements

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

3.6 Non-trading items

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

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

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

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

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

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

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

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

Revenue

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

Notes to the financial statements

4. Segmental analysis continued

Non-current assets

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

5. Operating profit

5.1 Analysis of costs by nature

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Employee benefits expense (note 6)	**(202.3)**	(149.8)
Depreciation of property, plant and equipment (note 10)	**(17.0)**	(16.6)
Amortisation of intangible assets (note 12)	**(34.4)**	(36.3)
Impairment of goodwill (note 11)	**–**	(4.3)
Impairment of intangible assets (note 12)	**(30.6)**	(2.2)
Operating lease rental expenditure	**(3.6)**	(3.5)
Repairs and maintenance expenditure	**(21.3)**	(24.0)
Research and development costs	**(6.9)**	(6.3)
Non trading items		
– GMP equalisation charge[1]	**(41.5)**	–
– Restructuring costs	**(16.8)**	(8.5)
– Other non trading items	**1.9**	–
Auditor remuneration (note 5.2)	**(0.8)**	(0.4)

1 For further detail of GMP equalisation please refer to note 20

Operating lease commitments are further disclosed in note 24.

5.2 Auditor's remuneration

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £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)
– The audit of the Group's subsidiaries, pursuant to legislation	**(0.2)**	(0.1)
Fees payable to the Group's auditor and its associates for other services:		
– Audit related assurance services	**(0.1)**	(0.1)
– Services relating to corporate finance transactions	**(0.3)**	–
Total auditor remuneration	**(0.9)**	(0.5)

The total operating profit charge for auditor remuneration was £0.8m (2017/18: £0.4m).

6. Employees

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Employee benefits expense		
Wages, salaries and bonuses	**(142.4)**	(126.2)
GMP equalisation and past service cost related to defined benefit pension schemes[1]	**(37.6)**	–
Social security costs	**(12.3)**	(11.8)
Termination benefits	**(1.2)**	(2.9)
Share options granted to directors and employees	**(2.1)**	(2.8)
Contributions to defined contribution schemes (note 20)	**(6.7)**	(6.1)
Total	**(202.3)**	(149.8)

1. For further detail of GMP equalisation please refer to note 20

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

	2018/19 Number	2017/18 Number
Average monthly number of people employed		
Management	**518**	558
Administration	**403**	439
Production, distribution and other	**3,262**	3,056
Total	**4,183**	4,053

Directors' remuneration is disclosed in the audited section of the Directors Remuneration Report on pages 44 to 61, which form part of these consolidated financial statements.

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7. Finance income and costs

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

1. Included in other interest payable is £3.0m charge (2017/18: £0.4m credit) relating to the unwind of the discount on certain of the Group's long term provisions.
2. Relates to the refinancing of the senior secured fixed rate notes due 2021 and revolving credit facility in the current period and senior secured floating rate notes due 2020 in the previous period.
3. Relates to a non-recurring payment arising on the early redemption of the £325m senior secured fixed rate notes due 2021 as part of the refinancing of the Group's debt in the period.
4. Relates to partial reversal of the impairment of the Hovis loan note, driven by the receipt of £7.6m from Hovis.

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

8. Taxation

Current tax

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

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

Tax relating to items recorded in other comprehensive income included:

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

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

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

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

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

Deferred tax

Deferred tax is calculated in full on temporary differences using the tax rate appropriate to the jurisdiction in which the asset/(liability) arises and the tax rates that are expected to apply in the periods in which the asset or liability is settled. In all cases this is 17.0% (2017/18: 17.0%).

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

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

Notes to the financial statements

8. Taxation continued

Deferred tax liabilities

	Intangibles £m	Retirement benefit obligation £m	Other £m	Total £m
At 2 April 2017	(56.2)	(17.9)	(0.2)	(74.3)
Current period credit/(charge)	1.9	(2.1)	–	(0.2)
Charged to other comprehensive income	–	(33.8)	–	(33.8)
Prior period credit				
– To statement of profit or loss	0.1	–	–	0.1
At 31 March 2018	(54.2)	(53.8)	(0.2)	(108.2)
At 1 April 2018	**(54.2)**	**(53.8)**	**(0.2)**	**(108.2)**
Current period credit	**6.7**	**1.5**	**–**	**8.2**
Charged to other comprehensive income	**–**	**(10.2)**	**–**	**(10.2)**
Prior period charge				
– To statement of profit or loss	**(0.1)**	**–**	**(0.8)**	**(0.9)**
At 30 March 2019	**(47.6)**	**(62.5)**	**(1.0)**	**(111.1)**

Deferred tax assets

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share based payments £m	Financial instruments £m	Losses £m	Other £m	Total £m
At 2 April 2017	47.4	–	1.4	–	56.8	1.1	106.7
Current period credit/(charge)	3.0	–	(0.1)	0.0	(3.7)	(3.1)	(3.9)
Credited to other comprehensive income	–	–	–	–	4.1	–	4.1
Charged to equity	–	–	(0.3)	–	–	–	(0.3)
Prior period (charge)/credit							
– To statement of profit or loss	(2.1)	–	–	–	(14.6)	6.2	(10.5)
At 31 March 2018	48.3	–	1.0	–	42.6	4.2	96.1
At 1 April 2018	**48.3**	**–**	**1.0**	**–**	**42.6**	**4.2**	**96.1**
Current period credit/(charge)	**1.3**	**–**	**-**	**–**	**(1.8)**	**(1.6)**	**(2.1)**
Credited to other comprehensive income	**–**	**–**	**-**	**–**	**1.1**	**–**	**1.1**
Charged to equity	**-**	**-**	**(0.1)**	**–**	**-**	**–**	**(0.1)**
Prior period (charge)/credit:							
– To statement of profit or loss	**3.1**	**–**	**–**	**–**	**(0.9)**	**0.4**	**2.6**
At 30 March 2019	**52.7**	**–**	**0.9**	**–**	**41.0**	**3.0**	**97.6**

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

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

9. (Loss)/earnings per share

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

Weighted average shares

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

(Loss)/earnings per share calculation

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

Dilutive effect of share options

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

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

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

Adjusted earnings per share ("Adjusted EPS")

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

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

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

Notes to the financial statements

9. (Loss)/earnings per share continued

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

10. Property, plant and equipment

	Land and buildings £m	Vehicles, plant and equipment £m	Assets under construction £m	Total £m
Cost				
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
Additions	0.2	9.3	8.6	18.1
Disposals	(0.6)	(0.2)	–	(0.8)
Transferred into use	0.3	8.8	(9.1)	–
At 30 March 2019	**104.9**	**309.7**	**10.5**	**425.1**
Aggregate depreciation and impairment				
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)
Depreciation charge	(2.7)	(14.3)	–	(17.0)
Disposals	0.3	0.2	–	0.5
At 30 March 2019	**(43.8)**	**(195.3)**	**–**	**(239.1)**
Net book value				
At 31 March 2018	63.6	110.6	11.0	185.2
At 30 March 2019	**61.1**	**114.4**	**10.5**	**186.0**

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

11. Goodwill

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Carrying value		
Opening balance	**646.0**	650.3
Impairment charge	**–**	(4.3)
Closing balance	**646.0**	646.0

Goodwill is attached to the Group's Grocery business unit.

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 post-tax cash flows based on the latest Board approved budget for the first year and the Board approved forecasts in respect of the following two years. 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% (2017/18: 2.2%).

Divisional contribution margin is forecast based on the projected mix of branded and non-branded sales, raw material input costs, purchasing initiatives and marketing and distribution 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 1.5% (2017/18: 1.75%) 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 goodwill.

Discount rate assumptions

The discount rate applied to the cash flows is calculated using a post-tax rate based on the weighted average cost of capital ("WACC") which would be anticipated for a market participant investing in the Group.

The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. In the current period, the post-tax rate used to discount the forecast cash flows has been determined to be 10.0% (2017/18: 9.8%).

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 £76.1m/£103.5m
Divisional contribution margin	Increase/decrease by 2.0%	Increase/decrease by £128.5m/£128.5m
Long term growth rate	Increase/decrease by 0.4%	Increase/decrease by £65.4m/£58.4m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £79.6m/£91.8m

Under each of the above sensitivities no individual scenarios would trigger an impairment for the Grocery CGU. Under a combination of reasonably possible scenarios and taking into account mitigating actions no impairment would be triggered.

Goodwill impairment charge

There has been no goodwill impairment charge recognised in 2018/19 (2017/18: £4.3m). The goodwill impairment in the prior year related to Knighton Foods Investments Limited ("Knighton") and reflected the challenging trading conditions faced by the business.

Notes to the financial statements

12. Other intangible assets

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

All amortisation is recognised within administrative costs.

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

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

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

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

Intangible assets impairment charge

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

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 30 March 2019 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
Premier Foods Investments Limited	0%	100%	£1.00 Ordinary shares		Griffiths Way
Premier Foods Finance plc	0%	100%	£1.00 Ordinary shares		St Albans
RHM Limited*	0%	100%	£0.001 Ordinary-a shares		Hertfordshire
RHM Group Holding Limited	0%	100%	£0.10 Ordinary shares		AL1 2RE
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		
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

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13. Investments continued

Company	% Held by Parent Company of the Group	% held by Group companies, if different	Share Class	Country	Registered Address
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

*Dormant entities

14. Inventories

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Raw materials	**16.4**	12.4
Work in progress	**2.7**	1.7
Finished goods and goods for resale	**58.7**	62.3
Total inventories	**77.8**	76.4

Inventory write-offs in the period amounted to £7.7m (2017/18: £4.6m). The increase in the current period relates to implementation issues during the Group's warehousing and distribution consolidation.

The borrowings of the Group are secured on the assets of the Group including inventories.

15. Trade and other receivables

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Trade receivables	**71.2**	58.0
Trade receivables provided for	**(4.8)**	(4.4)
Net trade receivables	**66.4**	53.6
Prepayments	**11.8**	13.5
Other tax and social security receivable	**10.3**	4.7
Other receivables	**0.7**	3.0
Total trade and other receivables	**89.2**	74.8

The borrowings of the Group are secured on 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 on a non-recourse basis. Receivables are only eligible for sale if they meet certain criteria. The facility limit is £30 million. As at 30 March 2019, £30 million was drawn (2017/18: £30 million).

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16. Trade and other payables

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Trade payables	**(149.1)**	(133.8)
Commercial accruals	**(45.3)**	(46.2)
Tax and social security payables	**(4.9)**	(4.7)
Other payables and accruals	**(38.7)**	(29.7)
Total trade and other payables	**(238.0)**	(214.4)

17. Bank and other borrowings

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

Secured senior credit facility – revolving

The revolving credit facility of £177m is due to mature in December 2022 and attracts a leverage based margin of between 2.25% and 3.75% above LIBOR. Banking covenants of net debt / EBITDA and EBITDA/interest are in place and are tested biannually.

The covenant package attached to the revolving credit facility is:

	Net debt / EBITDA[1]	Net debt / Interest[1]
2019/20 FY	4.50x	2.75x
2020/21 FY	4.25x	2.85x

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

Senior secured notes

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

Notes to the financial statements

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 30 Mar 2019**	52 weeks ended 31 Mar 2018
Period ended	**1.1612**	1.1406
Average	**1.1334**	1.1336

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

The table below shows the Group's currency exposures as at 30 March 2019 and 31 March 2018 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 30 Mar 2019 £m	As at 31 Mar 2018 £m
Net foreign currency monetary assets:		
– Euro	**(3.2)**	(8.2)
– US dollar	**3.0**	(0.0)
– Other	**(0.2)**	–
Total	**(0.4)**	(8.2)

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 30 Mar 2019 £m	As at 31 Mar 2018 £m
Euro	**(51.3)**	(33.2)
Total	**(51.3)**	(33.2)

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 increase by £0.1m (2017/18: remain constant).

If the US dollar were to strengthen against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would decrease by £0.1m (2017/18: remain constant).

If the euro were to weaken against sterling by 10 euro cents, with all other variables held constant, profit after tax would decrease by £3.2m (2017/18: £2.1m 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 £3.8m (2017/18: £2.5m 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 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 35% of the applicable margin for the non-utilised portion of the facility, hence the borrowings are sensitive to changes in interest rates.

In the prior 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 expired 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.

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 30 March 2019, trade and other receivables of £10.2m (2017/18: £12.9m) were past due but not impaired. These relate to customers with whom there is no history of default.

Notes to the financial statements

18. Financial instruments continued

The ageing of trade and other receivables was as follows:

	Fully performing £m	Past due 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 30 March 2019	**56.9**	**4.1**	**1.3**	**0.8**	**1.0**	**3.0**	**67.1**
As at 31 March 2018	43.7	8.2	1.8	0.4	0.9	1.6	56.6

At 30 March 2019, trade and other receivables of £4.8m (2017/18: £4.4m) 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:

	2018/19 £m	2017/18 £m
As at 1 April 2018/2 April 2017	**4.4**	6.7
Receivables written off during the period as uncollectable	**(2.2)**	(3.5)
Provision for receivables impairment raised	**2.6**	1.2
As at 30 March 2019/31 March 2018	**4.8**	4.4

(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 30 March 2019							
Trade and other payables	**(233.1)**	**–**	**–**	**–**	**–**	**–**	**(233.1)**
Senior secured notes – fixed	**–**	**–**	**–**	**–**	**(300.0)**	**–**	**(300.0)**
Senior secured notes – floating	**–**	**–**	**–**	**(210.0)**	**–**	**–**	**(210.0)**
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)

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 30 March 2019 the Group had £161.6m (2017/18: £202.0m) of facilities not drawn, expiring between three to four years (2017/18: two and three 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 0.9279% (2017/18: 0.7859%) 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 30 March 2019	**13.3**	**13.3**	**13.3**	**4.8**	**–**	**–**	**44.7**
At 31 March 2018	13.1	13.1	12.8	12.2	4.1	–	55.3

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 30 March 2019							
Forward foreign exchange contracts:							
– Outflow	**(51.2)**	**–**	**–**	**–**	**–**	**–**	**(51.2)**
– Inflow	**49.7**	**–**	**–**	**–**	**–**	**–**	**49.7**
Commodities:							
– Outflow	**(1.9)**	**–**	**–**	**–**	**–**	**–**	**(1.9)**
Total derivative financial instruments	**(3.4)**	**–**	**–**	**–**	**–**	**–**	**(3.4)**
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)

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 30 Mar 2019		As at 31 Mar 2018	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Loans and receivables:				
Cash and cash equivalents	**27.8**	**27.8**	23.6	23.6
Trade and other receivables[1]	**–**	**–**	56.6	56.6
Financial assets at amortised cost:				
Trade and other receivables[1]	**62.5**	**62.5**	–	–
Financial assets at fair value through profit or loss:				
Trade and other receivables[1]	**4.6**	**4.5**	–	–
Derivative financial instruments				
– Commodity and energy derivatives	**–**	**–**	0.1	0.1
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**(1.5)**	**(1.5)**	(0.4)	(0.4)
– Commodity and energy derivatives	**(0.1)**	**(0.1)**	–	–
Other financial liabilities	**–**	**–**	(1.7)	(1.7)
Financial liabilities at amortised cost:				
Trade and other payables	**(233.1)**	**(233.1)**	(209.7)	(209.7)
Senior secured notes	**(510.0)**	**(515.0)**	(535.0)	(539.3)

1. Refer to "Adoption of IFRS 9" section below

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 30 Mar 2019		As at 31 Mar 2018	
	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 and energy derivatives	**–**	**–**	–	0.1
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**–**	**(1.5)**	–	(0.4)
– Commodity and energy derivatives	**–**	**(0.1)**	–	–
Other financial liabilities	**–**	**–**	–	(1.7)
Financial liabilities at amortised cost:				
Senior secured notes	**(515.0)**	**–**	(539.3)	–

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 £1.1m has been charged to the statement of profit or loss in the period (2017/18: £0.1m credit).

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 £0.2m has been charged to the statement of profit or loss (2017/18: £nil).

Interest rate swaps are marked to market using prevailing market prices. Interest rate swaps are also not designated for hedge accounting. The interest rate swaps expired in December 2017. As a result there is no movement recognised in the statement of profit or loss in the period (2017/18: £0.4m credit).

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 30 March 2019 (2017/18: £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 30 Mar 2019 £m	As at 31 Mar 2018 £m
Total borrowings	**(497.7)**	(520.0)
Less cash and bank deposits	**27.8**	23.6
Net debt	**(469.9)**	(496.4)
Total equity	**(962.8)**	(949.3)
Total capital	**(1,432.7)**	(1,445.7)
Gearing ratio	**33%**	34%

Gearing is lower year on year due to a lower debt level.

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 29 September 2018 and 30 March 2019.

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 £469.9m (2017/18: £496.4m) 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. The banking covenants relate to the Group's revolving credit facility, which was undrawn at 30 March 2019 (2017/18: undrawn).

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 2022 and 2023.

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 as at March/April 2019, with finalisation expected in early 2020, 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.

Adoption of IFRS 9 – Impact on measurement of financial assets

On the date of initial application of IFRS 9, 1 April 2018, financial assets of £56.6m previously measured as loans and receivables were reclassified, £6.2m to fair value through profit or loss under IFRS 9 and £50.4m to amortised cost under IFRS 9. The assets at fair value through profit or loss are assets which are sold into the Receivables Financing Arrangement, those at amortised cost represent assets which are held.

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 and legal matters and provisions for restructuring costs. These provisions have been discounted at rates between 0.69% and 1.55% (2017/18: 0.99% and 1.77%). The unwinding of the discount is charged or credited to the statement of profit or loss under finance cost.

	Property £m	Other £m	Total £m
At 1 April 2017	(34.0)	(19.1)	(53.1)
Utilised during the period	1.0	5.0	6.0
Additional charge in the period	(1.0)	(1.2)	(2.2)
Unwind of discount	0.4	–	0.4
Released during the period	1.5	3.8	5.3
Retranslation of foreign currency balances	–	–	0.0
At 31 March 2018	**(32.1)**	**(11.5)**	**(43.6)**
Utilised during the period	**2.4**	**1.0**	**3.4**
Additional charge in the period	**–**	**(2.6)**	**(2.6)**
Unwind of discount	**(3.0)**	**–**	**(3.0)**
Released during the period	**0.9**	**2.8**	**3.7**
At 30 March 2019	**(31.8)**	**(10.3)**	**(42.1)**

Analysis of total provisions:

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Within one year	**(9.7)**	(7.9)
Between 2 and 5 years	**(5.0)**	(10.9)
After 5 years	**(27.4)**	(24.8)
Total	**(42.1)**	(43.6)

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

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1334 for the average rate during the period, and £1.00 = €1.1612 for the closing position at 30 March 2019.

Notes to the financial statements

20. Retirement benefit schemes continued

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

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

The schemes invest through investment managers appointed by the trustees in a broad range of assets to support the security and funding of their pension obligations. Asset classes used include government bonds, private equity, absolute return products, swaps and infrastructure.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The RHM Pension Scheme holds a security over the assets of the Group which ranks *pari passu* with the banks and bondholders in the event of insolvency, up to a cap.

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

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

- Liquidity risk – the PFPS and PGPPS have significant technical funding deficits which could increase. The RHM Pension Scheme is currently in surplus, but subsequent valuations could reveal a deficit. As such this could have an adverse impact on the financial condition of the Group. The Group continues to monitor the pension risks closely working with the trustees to ensure a collaborative approach.
- Mortality risk – the assumptions adopted make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes liabilities. The trustees review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption.
- Yield risk – a fall in government bond yields will increase the schemes liabilities and certain of the assets. However, the liabilities may grow by more in monetary terms, thus increasing the deficit in the scheme.
- Inflation risk – the majority of the schemes liabilities increase in line with inflation and so if inflation is greater than expected, the liabilities will increase.
- Investment risk - the risk that investments do not perform in line with expectations.

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

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

All pension schemes are closed to future accrual.

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

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

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

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

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

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

At 30 March 2019 and 31 March 2018, the discount rate was derived based on a bond yield curve expanded to also include bonds rated AA by one credit agency (and which might for example be rated A or AAA by other agencies).

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

	At 30 Mar 2019		At 31 Mar 2018	
	Premier schemes	**RHM schemes**	Premier schemes	RHM schemes
Male pensioner, currently aged 65	**87.4**	**85.3**	87.6	85.8
Female pensioner, currently aged 65	**89.3**	**87.8**	89.5	88.3
Male non-pensioner, currently aged 45	**88.4**	**86.1**	88.6	86.7
Female non-pensioner, currently aged 45	**90.5**	**88.9**	90.7	89.5

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

	Change in assumption	**Impact on scheme liabilities**
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £78.1m/£79.9m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £35.2m/£30.6m
Assumed life expectancy at age 60 (rate of mortality)	Increase/decrease by 1 year	Increase/decrease by £208.2m/£208.6m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 30 March 2019. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

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 30 March 2019:						
UK equities	**0.4**	**0.1**	**0.3**	**0.0**	**0.7**	**0.0**
Global equities	**7.5**	**1.1**	**171.3**	**4.0**	**178.8**	**3.5**
Government bonds	**29.9**	**4.2**	**1,460.5**	**33.6**	**1,490.4**	**29.7**
Corporate bonds	**26.9**	**3.8**	**–**	**–**	**26.9**	**0.5**
Property	**31.3**	**4.4**	**405.2**	**9.4**	**436.5**	**8.7**
Absolute return products	**365.7**	**51.7**	**775.5**	**17.9**	**1,141.2**	**22.6**
Cash	**8.0**	**1.1**	**30.1**	**0.7**	**38.1**	**0.8**
Other	**224.8**	**31.8**	**2.8**	**0.1**	**227.6**	**4.5**
Assets without a quoted price in an active market at 30 March 2019:						
Infrastructure funds	**–**	**–**	**256.1**	**5.9**	**256.1**	**5.1**
Swaps	**–**	**–**	**556.4**	**12.8**	**556.4**	**11.0**
Private equity	**–**	**–**	**446.1**	**10.3**	**446.1**	**8.8**
Other	**12.6**	**1.8**	**229.3**	**5.3**	**241.9**	**4.8**
Fair value of scheme assets as at 30 March 2019	**707.1**	**100**	**4,333.6**	**100**	**5,040.7**	**100**
Assets with a quoted price in an active market at 31 March 2018:						
UK equities	0.2	0.0	0.3	0.0	0.5	0.0
Global equities	7.6	1.1	288.4	6.9	296.0	6.1
Government bonds	25.0	3.7	1,021.4	24.3	1,046.4	21.5
Corporate bonds	20.7	3.0	–	–	20.7	0.4
Property	7.5	1.1	383.5	9.2	391.0	8.0
Absolute return products	391.0	57.7	932.3	22.3	1,323.3	27.2
Cash	12.8	1.9	19.6	0.5	32.4	0.7
Other	214.1	31.5	3.0	0.1	217.1	4.5
Assets without a quoted price in an active market at 31 March 2018:						
Infrastructure funds	–	–	254.6	6.1	254.6	5.2
Swaps	–	–	715.3	17.1	715.3	14.7
Private equity	–	–	344.0	8.2	344.0	7.1
Other	0.2	0.0	222.1	5.3	222.3	4.6
Fair value of scheme assets as at 31 March 2018	679.1	100	4,184.5	100	4,863.6	100

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

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

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

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

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

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

	Premier schemes £m	RHM schemes £m	Total £m
Defined benefit obligation at 1 April 2017	(1,162.8)	(3,597.0)	(4,759.8)
Interest cost	(29.9)	(93.0)	(122.9)
Remeasurement gains	36.6	87.6	124.2
Exchange differences	(1.2)	(0.7)	(1.9)
Benefits paid	41.2	172.6	213.8
Defined benefit obligation at 31 March 2018	**(1,116.1)**	**(3,430.5)**	**(4,546.6)**
Interest cost	**(29.1)**	**(90.3)**	**(119.4)**
Past service cost	**(11.1)**	**(26.5)**	**(37.6)**
Remeasurement losses	**(53.9)**	**(94.6)**	**(148.5)**
Exchange differences	**0.8**	**0.5**	**1.3**
Benefits paid	**37.6**	**145.6**	**183.2**
Defined benefit obligation at 30 March 2019	**(1,171.8)**	**(3,495.8)**	**(4,667.6)**

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

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of plan assets at 1 April 2017	673.7	4,190.9	4,864.6
Interest income on plan assets	17.3	108.6	125.9
Remeasurement (losses)/gains	(7.6)	58.2	50.6
Administrative costs	(3.0)	(2.5)	(5.5)
Contributions by employer	38.6	1.2	39.8
Exchange differences	1.3	0.7	2.0
Benefits paid	(41.2)	(172.6)	(213.8)
Fair value of plan assets at 31 March 2018	**679.1**	**4,184.5**	**4,863.6**
Interest income on plan assets	**17.7**	**110.7**	**128.4**
Remeasurement gains	**14.2**	**187.5**	**201.7**
Administrative costs	**(6.5)**	**(3.8)**	**(10.3)**
Contributions by employer	**41.1**	**0.8**	**41.9**
Exchange differences	**(0.9)**	**(0.5)**	**(1.4)**
Benefits paid	**(37.6)**	**(145.6)**	**(183.2)**
Fair value of plan assets at 30 March 2019	**707.1**	**4,333.6**	**5,040.7**

20. Retirement benefit schemes continued

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

	Premier schemes £m	RHM schemes £m	Total £m
(Deficit)/surplus in schemes at 1 April 2017	(489.1)	593.9	104.8
Amount recognised in profit or loss	(15.6)	13.1	(2.5)
Remeasurements recognised in other comprehensive income	29.0	145.8	174.8
Contributions by employer	38.6	1.2	39.8
Exchange differences	0.1	–	0.1
(Deficit)/surplus in schemes at 31 March 2018	**(437.0)**	**754.0**	**317.0**
Amount recognised in profit or loss	**(29.0)**	**(9.9)**	**(38.9)**
Remeasurements recognised in other comprehensive income	**(39.7)**	**92.9**	**53.2**
Contributions by employer	**41.1**	**0.8**	**41.9**
Exchange differences recognised in other comprehensive income	**(0.1)**	**–**	**(0.1)**
(Deficit)/surplus in schemes at 30 March 2019	**(464.7)**	**837.8**	**373.1**

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

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

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

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

The net remeasurement gain taken to the consolidated statement of comprehensive income was £53.2m (2017/18: £174.8m gain). This gain was £44.1m (2017/18: £145.1m gain) net of taxation (with tax at 17% for UK schemes, and 12.5% for Irish schemes).

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

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

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

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

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

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, including provisions to comply with auto enrolment requirements laid down by law. In addition a number of schemes providing life assurance benefits only are operated. The total expense recognised in the statement of profit or loss of £6.7m (2017/18: £6.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

21. Other liabilities

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

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

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. 381,850 shares in Premier Foods plc were held by the Employee Benefit Trust at 30 March 2019, with a market value of £0.1m (2017/18: 656,780 shares with a market value of £0.2m).

Notes to the financial statements

22. Reserves and share capital continued

Share capital

	Number of shares	Ordinary shares @ nominal value (£0.10/share) £m	Share premium £m	Total £m
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**
Shares issued under share schemes	**4,306,470**	**0.4**	**1.0**	**1.4**
At 30 March 2019	**844,928,687**	**84.5**	**1,408.6**	**1,493.1**

Share award schemes

The Company's share award schemes are summarised as follows:

1. 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 2016, 2017 and 2018 Performance Share awards are conditional on achievement of a combination of absolute adjusted earnings per share targets and relative TSR targets.
2. 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.
3. 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.
4. A Deferred Share Bonus Plan ("DSBP"). Only the acting CEO participated in the DSBP which operated alongside the Annual Bonus plan. Awards were based on the achievement of a range of targets which were set at the start of each financial period. If the objective was met, the bonus earned was 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. The one outstanding award under the DSBP vested in 2018 and no further awards will be made under the plan.
5. A Deferred Bonus Plan ("DBP"). One third of any annual bonus payment awarded to executive directors is made 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.

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 LTIP (Performance share award) are as follows:

Premier Foods plc LTIP (Performance share award)

	2018/19 Awards	2017/18 Awards
Outstanding at the beginning of the period	**29,699,520**	27,787,947
Granted during the period	**7,640,497**	9,759,169
Forfeited during the period	**(12,829,541)**	(7,847,596)
Outstanding at the end of the period	**24,510,476**	29,699,520
Exercisable at the end of the period	**5,141,727**	6,146,066

The awards outstanding at 30 March 2019 had a weighted average remaining contractual life of 0.9 years (2017/18: 0.9 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

	2018/19 Awards	2017/18 Awards
Outstanding at the beginning of the period	**373,705**	5,313,677
Granted during the period	**–**	–
Exercised during the period	**–**	(4,647,811)
Forfeited during the period	**–**	(292,161)
Outstanding at the end of the period	**373,705**	373,705
Exercisable at the end of the period	**373,705**	373,705

The awards outstanding at 30 March 2019 had a weighted average remaining contractual life of nil years (2017/18: nil 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

	2018/19 Awards	2017/18 Awards
Outstanding at the beginning of the period	**157,560**	157,560
Granted during the year	**–**	–
Vested during the period	**(157,560)**	–
Outstanding at the end of the period	**–**	157,560
Exercisable at the end of the period	**–**	–

Details of the share options of the Premier Foods plc Deferred Share Bonus Plan are as follows:

Premier Foods plc Deferred Bonus Plan

	2018/19 Awards	2017/18 Awards
Outstanding at the beginning of the period	**–**	–
Granted during the period	**423,856**	–
Exercised during the period	**–**	–
Outstanding at the end of the period	**423,856**	–
Exercisable at the end of the period	**–**	–

The awards outstanding at 30 March 2019 had a weighted average remaining contractual life of 1.4 years (2017/18: 0.2 years). The weighted average fair value of awards granted during the period was nil pence per award.

Notes to the financial statements

22. Reserves and share capital continued

Details of the share options of the Premier Foods plc Share Incentive Plan are as follows:

Premier Foods plc Share Incentive Plan

	2018/19 Awards	2017/18 Awards
Outstanding at the beginning of the period	**1,266,500**	1,463,000
Exercised during the period	**(76,693)**	(126,400)
Transferred out during the period	**(19,075)**	(25,600)
Forfeited during the period	**(1,000)**	(44,500)
Outstanding at the end of the period	**1,169,732**	1,266,500
Exercisable at the end of the period	**–**	–

The awards outstanding at 30 March 2019 had a weighted average remaining contractual life of nil years (2017/18: nil 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

	2018/19		2017/18	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at the beginning of the period	**17,835,628**	**33**	20,231,334	35
Exercised during the period	**(4,306,470)**	**32**	(3,536,539)	34
Granted during the period	**5,022,240**	**30**	4,988,669	33
Forfeited/lapsed during the period	**(2,447,511)**	**33**	(3,847,836)	44
Outstanding at the end of the period	**16,103,887**	**32**	17,835,628	33
Exercisable at the end of the period	**2,673,154**	**32**	792,451	35

During the period 5.0 million (2017/18: 5.0 million) options were granted under the Sharesave Plan, with a weighted average exercise price at the date of exercise of 30 pence per ordinary share (2017/18: 33 pence).

The options outstanding at 30 March 2019 had a weighted average exercise price of 32 pence (2017/18: 33 pence), and a weighted average remaining contractual life of 1.6 years (2017/18: 1.6 years).

In 2018/19, the Group recognised an expense of £2.1m (2017/18: £2.8m), 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 30 Mar 2019			As at 31 Mar 2018		
	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	**26,477,769**	**0.8**	**10**	31,497,285	0.9	10
£0.10 to £9.90	**16,103,887**	**1.6**	**32**	17,835,628	1.6	33
£10.00 to £20.00	**–**	**–**	**–**	–	–	–
Total	**42,581,656**	**1.1**	**18**	49,332,913	1.1	18

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

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

1. For further detail of GMP equalisation please refer to note 20

Reconciliation of cash and cash equivalents to net borrowings

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

23. Notes to the cash flow statement continued

Analysis of movement in borrowings

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

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

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

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

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 30 Mar 2019		As at 31 Mar 2018	
	Property £m	**Plant and Equipment £m**	Property £m	Plant and Equipment £m
Within one year	**1.8**	**1.3**	2.5	1.8
Between 2 and 5 years	**6.3**	**2.4**	5.3	1.9
After 5 years	**6.0**	**0.5**	9.4	–
Total	**14.1**	**4.2**	17.2	3.7

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 (2017/18: £0.2m) 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 (2017/18: £0.2m).

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 30 March 2019 of £5.4m (2017/18: £2.1m).

26. Contingencies

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

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 44 to 61.

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Short term employee benefits	**4.2**	4.4
Termination benefits	**0.9**	0.5
Share-based payments	**1.3**	1.1
Total	**6.4**	6.0

(b) Other related parties

The Group's associates are considered to be related parties.

As at 30 March 2019 the following are also 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 19.47% (2017/18: 19.57%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.
- Oasis Management Company Ltd ("Oasis") is considered to be a related party to the Group by virtue of its 11.99% (2017/18: 9.01%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.
- Paulson Investment Company LLC, ("Paulson") is considered to be a related party to the Group by virtue of its 11.98% (2017/18: 7.39%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.

	52 weeks ended 30 Mar 2019 £m	52 weeks ended 31 Mar 2018 £m
Sale of goods:		
– Hovis	**0.3**	0.3
Sale of services:		
– Hovis	**0.7**	0.7
– Nissin	**0.2**	0.1
Total sales	**1.2**	1.1
Purchase of goods:		
– Hovis	**6.3**	11.9
– Nissin	**10.3**	7.1
Total purchases	**16.6**	19.0

As at 30 March 2019 the Group had outstanding balances with Hovis. Total trade receivables was £0.9m (2017/18: £0.5m) and total trade payables was £0.6m (2017/18: £2.5m).

28. Subsequent events

There were no reportable events after the balance sheet date.

Company balance sheet

The following statements reflect the financial position of the Company, Premier Foods plc as at 30 March 2019 and 31 March 2018. 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.

	Note	**As at 30 Mar 2019 £m**	As at 31 Mar 2018 £m
Non-current assets			
Investments in Group undertakings	3	**14.2**	12.8
Current assets			
Receivables	4	**1,314.6**	1,296.9
Deferred tax assets	6	**2.2**	2.2
Cash at bank and in hand		**3.5**	2.1
Total assets		**1,334.5**	1,314.0
Payables: amounts falling due within one year	5	**(319.2)**	(317.6)
Net current assets		**1,001.1**	983.6
Total assets less current liabilities		**1,015.3**	996.4
Equity			
Called up share capital	7	**84.5**	84.1
Share premium account		**1,408.6**	1,407.6
Profit and loss account		**(477.8)**	(495.3)
Total shareholders' funds		**1,015.3**	996.4

The notes on pages 120 to 122 form an integral part of the financial statements.

The financial statements on pages 118 to 119 were approved by the Board of directors on 14 May 2019 and signed on its behalf by:

Alastair Murray
Acting Chief Executive Officer and Chief Financial Officer

Company statement of changes in equity

	Called up share capital £m	Share premium account £m	Profit and loss account £m	Total £m
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**
Profit for the period	**–**	**–**	**15.4**	**15.4**
Share-based payments	**–**	**–**	**2.1**	**2.1**
Shares issued	**0.4**	**1.0**	**–**	**1.4**
At 30 March 2019	**84.5**	**1,408.6**	**(477.8)**	**1,015.3**

The notes on pages 120 to 122 form an integral part of the financial statements.

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 £15.4m (2017/18: £15.1m 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.

Receivables

Receivables comprise intercompany loans, a recoverability assessment of these balances has been performed and no impairment is needed.

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 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.

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 (2017/18: £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 30 March 2019, the Company had one employee (2017/18: two). Directors' emolument disclosures are provided in the Single Figure Table on page 52 of this annual report.

3. Investments in Group undertakings

	2018/19 £m	2017/18 £m
Cost		
At 1 April 2018/2 April 2017	**1,772.1**	1,770.0
Additions	**1.4**	2.1
At 30 March 2019/31 March 2018	**1,773.5**	1,772.1
Accumulated impairment		
At 1 April 2018/2 April 2017	**(1,759.3)**	(1,759.3)
At 30 March 2019/31 March 2018	**(1,759.3)**	(1,759.3)
NBV at 30 March 2019/31 March 2018	**14.2**	12.8

In 2018/19 a capital contribution of £1.4m (2017/18: £2.1m) 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 30 Mar 2019 £m	As at 31 Mar 2018 £m
Amounts owed by Group undertakings	**1,314.6**	1,296.9

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are not subject to interest rate risk as they are interest free, with the exception of £414.5m (2017/18: £396.8m) which attracted interest at a rate of LIBOR plus 4.0% (2017/18: LIBOR plus 4.0%). The Group are doing a review and expect the receivable to be settled in the next 12 months. Carrying value approximates fair value.

Notes to the Company financial statements

5. Payables: amounts falling due within one year

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Amounts owed to Group undertakings	**(299.2)**	(297.6)
Group relief payable	**(20.0)**	(20.0)
Total payables falling due within one year	**(319.2)**	(317.6)

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 £32.6m (2017/18: £31.0m) which attracted interest at a rate of LIBOR plus 4.0% (2017/8: LIBOR plus 4.0%). Carrying value approximates fair value.

6. Deferred Tax

	2018/19 £m	2017/18 £m
At 1 April 2018/2 April 2017	**2.2**	2.1
Credited to the statement of profit and loss	**–**	0.1
At 30 March 2019/31 March 2018	**2.2**	2.2

The deferred tax asset relates to share-based payments.

7. Called up share capital and other reserves

(a) Called up share capital

	As at 30 Mar 2019 £m	As at 31 Mar 2018 £m
Issued and fully paid		
844,928,687 (2017/18: 840,622,217) ordinary shares of 10 pence each	**84.5**	84.1

(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 (2017/18: £0.8m). Further details of these schemes can be found in the Directors Remuneration report on page 44 to 61.

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 30 March 2019 is £0.7bn (2017/18: £0.8bn).

9. Subsequent events

There were no reportable events after the balance sheet date.

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

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

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