PREMIER FOODS

Premier Foods plc

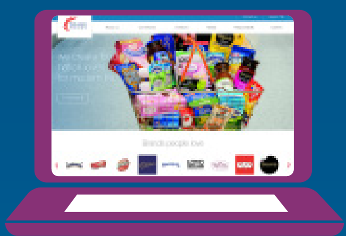
Annual report and accounts for the financial period ended 4 April 2015

Investing for success

Welcome to our 2014/15 annual report

As you may have noticed, our annual report is quite different this year. We've reduced the physical size of the document, cut down on the use of photography and presented our key strategic messages in a clearer, more concise way. This is consistent with our drive to reduce cost and complexity wherever we can and work smarter with technology through encouraging you to visit our corporate website as the primary source of up-to-date news about the Company.

www.premierfoods.co.uk



Website:

Keep up to date with all the latest information about Premier Foods online, including: share price data; press releases; and results.

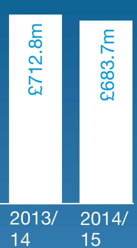
Mobile:

You can keep up to date with Premier Foods wherever you are with our mobile friendly website.

Our performance

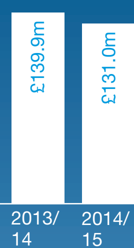
Branded sales (Pro forma)

£683.7m



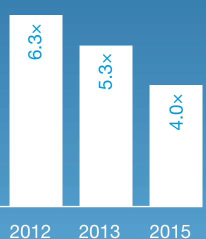
Trading profit (Pro forma)

£131.0m



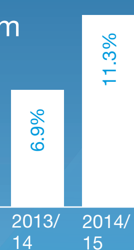
Net debt/ EBITDA ratio

4.0×



% of sales from new products

11.3%



In this report we compare either an unaudited Pro forma 52 week period ended 4 April 2015 (2014/15) versus an unaudited Pro forma 52 week period ended 5 April 2014 (2013/14) or an audited 15 month period ended 4 April 2015 (2015 or the financial period) versus an audited 12 month year ended 31 December 2013 (2013).

Reconciliation of statutory numbers (continuing operations) to Pro forma

The Company made a statutory loss after tax of £(123.6)m (2013: £(245.9)m), for a reconciliation to statutory numbers go to page 30.

Explore our report

The Directors' report is comprised of pages 1 to 63.

Look out for these icons

Read more in this annual report

Read more on our website

At a glance

We **LOVE** food at Premier Foods. We're one of Britain's **biggest food companies** with a **broad stable of leading brands**; brands that you can find in around 96% of British households and which we are starting to bring to new international markets. Many of our brands have been part of daily life for more than a century. But we don't let them stand still — we're constantly innovating with fresh ideas, giving our consumers great tasting food for modern life.

Company

At our 13 locations across the country, our 3,675 dedicated colleagues work tirelessly to prepare food to the highest quality and safety standards, partnering with our suppliers and customers to make sure we deliver what our consumers love. We are organised into three Strategic Business Units (SBUs) to create the focus needed to drive category growth. We also maintain a 49% minority interest in two joint ventures, Hovis and Knighton Foods.

Revenue (Pro forma)	Trading Profit (Pro forma)	Colleagues
£767.4m	£131.0m	3,675
(2013/14: £803.3m)	(2013/14: £139.9m)	(as at 4 April 2015)

A reconciliation of statutory numbers (continuing operations) to Pro forma can be found on page 30.

Strategic Business Units

Grocery

The Grocery SBU is responsible for developing our portfolio of leading brands in four key categories: Cooking sauces & accompaniments, Flavours & seasonings, Light meals & soups and Ambient desserts.

Revenue (Pro forma)	Branded market share[1]	Colleagues
£551.7m	29.2%	1,620
	(2013/14: 29.6%)[1]	(as at 4 April 2015)

Sweet Treats

The Sweet Treats SBU is responsible for growing the nation's leading cake brands: *Mr. Kipling, Cadbury* and *Lyons*, and developing the ambient cake category to compete in the broader sweet treats market.

Revenue (Pro forma)	Branded market share[1]	Colleagues
£215.7m	25.4%	2,055
	(2013/14: 24.9%)[1]	(as at 4 April 2015)

[1] Branded market share source: IRI data for the 52 weeks ending 4 April 2015 and the 52 weeks ending 5 April 2014).

International

Our International SBU is focused on developing new markets for our brands around the world. Currently under 5% of our sales are outside the UK with plenty of scope for expansion. While the business unit is in the early stages of development, its financial results are incorporated with those of the Grocery SBU.

Ireland	Near-term opportunities	Strategic markets
We're focusing on building a stronger business using familiar brands.	We are targeting opportunities in European and South East Asian markets.	Australia China United States

Where we make our food

Investing for success

Improved capital structure

In 2014 we successfully completed a refinancing of the Company and further adapted our portfolio to provide **a stable platform to drive future growth**.

Capital Refinancing Plan

In April 2014 we completed a major Capital Refinancing Plan to reduce our leverage, diversify our sources of funding and provide a longer-term funding arrangement with our pension schemes, giving us the stability we need to focus on investing in the business. This consisted of three components: the raising of £353m of new equity by way of a Placing and Rights Issue; the raising of gross proceeds of £500m by way of a high yield bond; and a new £272m Revolving Credit Facility with a more streamlined lending syndicate. The Company has also agreed pension fund deficit funding payments which (unless the Company resumes the payment of dividends) are fixed until the end of 2019.

Focused investment

We have **focused our investment on the brands and categories with highest growth opportunities** and in the processes and systems needed to work smarter.

Increased marketing and innovation

In the last six months of 2014/15 we invested over 80% more in consumer marketing for our brands than the equivalent prior period and successfully launched many new products.

The major re-launch of *Mr. Kipling* in the second half of 2014 demonstrated how investment in new packaging, promotional structure, TV advertising, digital and social media, PR and partnerships can lead to higher market share, sales and volumes. *Homepride* cooking sauces were also back on TV for the first time in 10 years as part of a revitalisation of the brand, including new packaging and the introduction of modern new flavours such as Hunter's Chicken, Peri Peri and Nacho Bake. In addition *Bisto* consumers were delighted with the launch of *Bisto* Simply casserole pastes and *Bisto* Rich premium gravy pastes together with engaging new advertising based around the *Bisto* together project. *OXO* also introduced Herbs & More, an innovative new flavour enhancer which leveraged our consumer insights into the growing popularity of savoury meal making – again this launch was backed by TV advertising to inspire consumers to transform their meals with these herb infusions.

Reducing complexity

We continued to **drive down cost & complexity** to improve our efficiency and effectiveness and fund our investment in branded growth.

Supplier rationalisation

Since 2013 we have more than halved our supplier base in response to our smaller overall portfolio. Our focus has been on developing fewer, more strategic supplier partnerships based on mutual benefit and growth. Many of our suppliers have benefited from the opportunity to take on new or additional business and we have been actively encouraging suppliers to share their ideas on how we can grow faster, for example through our dedicated online innovation web portal that we launched in 2014.

We currently spend nearly £500m with British suppliers and farmers representing 88% of our total procurement budget. At the end of the financial period over half of our 1,281 suppliers were small and medium sized businesses.

More agile structure

We realigned our organisational structure and resources to improve our focus, accountability and agility to serve our **customers and consumers** better.

Strategic Business Units

In September 2014 we put in place a new Strategic Business Unit (SBU) structure to reinforce our category based strategy and improve our agility, focus and accountability. Our organisation is now arranged into three SBUs: Grocery, Sweet Treats and International. Each SBU has full accountability for their respective portfolios and is responsible for directing innovation, marketing, sales and logistics resources in support of agreed priorities and our Grocery and Sweet Treats SBUs have additonal responsibility for manufacturing. The new SBU structure allows more agile ways of working and is closely aligned to how our retail customers do business.

Go to At a glance section on page 01

Our investment strategy is working

Portfolio

In April 2014 we established Hovis as a joint venture with The Gores Group, unlocking a significant investment programme to reinvigorate the *Hovis* brand. We retained a 49% stake in Hovis allowing us to share in any future success of the business.

In June 2014 we announced a joint venture with Specialty Powders Holdings Limited for our own label and business-to-business dry powders business. We again retained a 49% holding in the new business, Knighton Foods. The deal enabled the transfer of some branded desserts production to our Ashford site helping improve the overall efficiency of our existing Grocery infrastructure.

For 2014/15 our sales from branded products has increased to 89.1% (2013/14: 88.7%) of total sales.

Working smarter

Investing in the right processes and technology also makes a big difference to our efficiency and agility. In 2014 we completed the roll-out of common SAP systems to all our sites and we invested in a new bespoke trade promotions management system. We also partnered with Google to maximise the use of Google apps improving how we connect, communicate and collaborate across the Company. We commenced work on a £20m state-of-the-art investment in a new *Mr. Kipling* Snack Pack line at our Carlton bakery in Barnsley to double capacity and increase the number of pack formats we can produce. Following completion of the instalation, the new line became fully operational in May 2015.

Go to the Costs section on page 17

SKU reduction

In the period we continued to remove less profitable product codes or stock keeping units (SKUs) from the portfolio to help us focus on faster-moving product lines. Since 2013, we have removed over 700 SKUs representing 43% of the portfolio helping us reduce costs and complexity without impacting our sales. Our rigorous approach means that every SKU is carefully evaluated to ensure it delivers value for our customers and provides an acceptable return.

Go to the Costs section on page 17

An agile team

In support of our new SBU structure, we have made a number of new senior appointments including new Managing Directors for our Grocery and Sweet Treats Business Units, each with significant experience and a proven track record in bringing new concepts to market.

We are also investing in strengthening our revenue generating sales, marketing and new product development (NPD) teams to help deliver our growth ambitions. And we are significantly up-weighting our International team as we start to look more strategically at opportunities outside the UK. We have also invested in our human resources team and in learning and development systems to ensure our people are equipped to deliver on our strategic priorities and grow their own capabilities.

Go to senior management on page 37

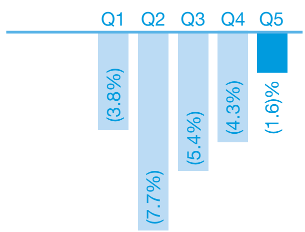
Accelerated brand investment

+82%

We have increased consumer marketing (including TV, radio, print & digital marketing).

For the last quarter to 4 April 2015 Vs comparative period (unaudited).

Improving sales trend



We have seen an approving sales trend for Power Brands since the second quarter of the financial period.

For the 15 months ending 4 April 2015 (unaudited).

Increasing sales volume

+9%

Increase in volume of product sold outperforming the market which grew at +1.9%.

IRI Volume and Retail sales value for the 12 weeks to 4 April 2015 Vs comparative period.

Increasing sales value

+3.3%

Increase in value of product sold outperforming the market which was flat at +0.0%.

IRI Volume and Retail sales value for the 12 weeks to 4 April 2015 vs comparative period

Driving category growth

+3.8%

Ambient cake

+4.1%

Flavours & seasonings

Increased investment and new product launches are helping to drive category growth for our customers.

IRI Retail sales value for the 12 weeks to 4 April 2015 Vs comparative period.

Chairman's statement

> *I am greatly encouraged by how our brands and categories are responding to the investments we're making."*
>
> **David Beever**
> Chairman

Dear Shareholder,
I'm delighted to update you on what has been a truly transformational year for the Company. In March 2014 we announced our Capital Refinancing Plan which was successfully completed in April 2014. Your Board made significant further personal investments in the Company as part of the refinancing and I would also like to thank you, our shareholders, for your strong support of the plan. Our new capital structure provides the platform we need to be able to invest in the business in line with our strategy. The agreements we reached during the year on the joint ventures for Hovis and Knighton Foods also help create a clearer focus for the Company as well as unlocking investment for these businesses from their respective new ownership structures.

These important developments helped us compete in what has been a very challenging trading environment during last year. Competition amongst our retail customers has been intense as they respond to structural changes in shopper behaviour. Together with low oil prices and benign commodity costs, this has led to falling prices and the emergence of food price deflation for the first time in 10 years. In addition, 2014 turned out to be one of the hottest years on record. These factors clearly had an impact on our sales, which fell by 4.5% in 2014/15 to £767.4m, and also on our share price.

Despite the challenging environment, I would like to commend management on holding the course, continuing to invest in our brands and our people and delivering improved sales momentum since the second quarter of the financial period, particularly during the important Christmas trading period. I am greatly encouraged by how our brands and categories are responding to the investments we're making. The successful re-launch of *Mr. Kipling* is a great example, and we are also seeing positive results from investment in other brands including *OXO, Bisto* and *Homepride*.

The new organisation structure we announced in September 2014 has been a tremendous catalyst. The creation of fully accountable Strategic Business Units for our Grocery and Sweet Treats businesses, with new leaders, has generated a new sense of energy and momentum behind our categories and brands. I'm also confident that the investment we're making in our new International Business Unit will pay off in the future as we identify further growth opportunities beyond the UK.

Being a responsible and sustainable business continues to be at the forefront of your Board's mind. During the period, the Company made further improvements to its environmental footprint and, importantly, stepped up its focus on nutrition to develop more 'better-for-you' choices as well as clearer labelling and information to help our consumers. As a University trustee and engineer, I'm particularly pleased that the Company is investing more in developing skills for young people. This is a crucial factor for our country's future. The Company has taken on more apprentices and graduates this past year and is supporting exciting new developments in food engineering at Sheffield Hallam University. We're also helping unemployed youngsters take the first steps towards finding a job through providing pre-employment skills training as part of the Institute of Grocery Distribution's 'Feeding Britain's Future' campaign.

In January 2015, the Board welcomed Richard Hodgson as a new non-executive director. Richard has significant food retailing experience which is already proving invaluable in our discussions. I would also like to thank David Wild for his important contribution to the Company's strategy over a number of years. Finally, Charles Miller Smith, who has served on the Board since June 2009, has advised the Board that he will step down as a director on 1 June 2015. Charles has had a very significant and positive impact on the Board over a number of years and I would like to thank him for his wise counsel and insight in helping to shape the current direction of the Company.

Further details of these changes and the Board's activities in the period are set out in my governance update on page 35.

Finally, I would like to thank each and every one of our employees for their significant efforts during this transformational year. I was particularly proud that we could create an ownership culture by awarding 500 shares to all of our employees. Aligning employee and shareholder interests is a positive development for the future, allowing everyone to benefit in the longer-term success of Premier Foods.

The Board and I are looking forward to the year ahead. Our strategy is starting to work as we invest in our brands and simultaneously use free cash flows to organically reduce net debt. While the trading environment will undoubtedly be challenging, we remain as focused as ever on driving value for our shareholders. Thank you for your continued support.

David Beever
Chairman

18 May 2015

Strategic report

In this area of the report you can find out how we are creating value as a business, our strategic priorities that will guide us and how we have performed during the financial period.

"Our investment strategy is working."

Gavin Darby
Chief Executive Officer

Our strategic priorities

Our strategic priorities describe key activities in the financial period around Consumers, Brands, Customers, People and Costs which advanced our strategy of driving category growth.

Read more on pages 12 to 19

How we manage our risks

Identifying and mitigating risks to the delivery of our strategy continues to be a key area of focus for the Company in the current changing market environment and our outlook on risks has also evolved following our successful capital refinancing.

Read more on pages 22 to 25

Our performance

The operating and financial review contains detailed analysis of our business performance for the financial period as reported in our preliminary results announcement in May 2015.

Read more on pages 26 to 33

The strategic report on pages 6 to 33 has been approved by the Board of directors on 18 May 2015 and signed on its behalf by:

Gavin Darby
Chief Executive Officer

Chief Executive Officer's review

Our investment strategy is working

Following our capital refinancing last year we've been investing behind our strategy to drive category growth. I'm encouraged by the progress we've made, especially in light of the challenging marketplace.

Our investment in new products, marketing, promotions, technology, manufacturing infrastructure and, importantly, our people is starting to pay off. We're gaining momentum and I'm confident we'll make further progress in the year ahead.

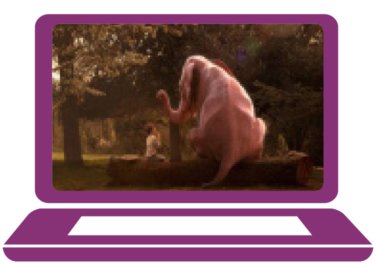
How would you characterise the last 15 months for Premier Foods?

It's been a period of investing in our brands and investing in our business. After successfully refinancing the Company and focusing our portfolio, it was important that we continue investing in developing and marketing our brands to put us in the best position to drive future growth. I feel we've come a long way on this journey. In the last six months of the financial period we invested over 80% more in marketing our brands than in the equivalent prior period and successfully launched many new products. We additionally invested in a new, more agile business unit structure and in strengthening our commercial capabilities in marketing, sales and in innovation, which was balanced by trimming other support functions. We've invested more in Human Resources and developing our people strategy.

Are you satisfied with the results?

Given a very challenging trading environment, I'm pleased we delivered our trading profit of £131m for 2014/15 in line with market expectations and although down £8.9m on 2013/14 we invested an additional £8.0m in consumer marketing in this period. Our strategy is starting to work and during the second half we gained momentum in sales, volumes and market share reflecting the investments we've been making. The re-launch of *Mr. Kipling* was a particular highlight. Clearly there is more to do and the trading environment remains tough. But I'm satisfied with the progress so far.

A reconciliation of statutory numbers (continuing operations) to Pro forma can be found on page 30



Go online to see our latest *Mr. Kipling* TV ad:
www.premierfoods.co.uk

How are you addressing the changing retail landscape and the growth of new channels such as discounters?

More than two-thirds of our sales are with the major supermarkets and as the supermarkets have been adapting to changing shopper behaviour, we've been supporting them. While some commentators have seen the change in shopper behaviour as a threat, along with our major customers, we also see many opportunities. Many of the things our customers are now doing, such as focusing on faster-moving lines, we've also been doing. We're also capturing opportunities in other channels. For instance, we've been using brands such as *Paxo* and *Bird's* to offer products to high street discounters at the right format for this channel. And in the convenience channel we're investing in ways to provide different packaging formats and case sizes more suited to this channel. We're also working with our customers to strengthen our online sales through bespoke promotions and communications.

How can you go on growing sales in a period when food prices are actually falling?

It's certainly more difficult to grow sales in a deflationary environment. Our response has been to focus on driving volume and market share through investing in marketing our brands and bringing more new products to market, particularly in more premium areas. For example, in the Flavourings & seasonings category, we've been innovating with 'wet stock' products that encourage consumers to trade up to more premium variants such as *OXO* Herbs & More and *Bisto* Simply casserole pastes. In the coming year we're doing more to capitalise on the consumer preference for hob-top cooking with the launch of *Sharwood's* Stir Fry Melts and *Loyd Grossman* Pan Melts. Having the right approach to promotions is also a key factor and we've done a lot to improve our promotional efficiency over the last year through eliminating less profitable and loss-making promotions.

Why are you getting rid of the Power Brand and Support Brand distinction?

It was helpful to use this distinction in the early days of our recovery to illustrate our focus on the brands with the biggest near-term opportunities. As our strategy evolved to a broader approach of driving category growth, we've been successfully investing more in the wider portfolio, including brands such as *Homepride* cooking sauces and *Cadbury* cakes. These are brands with significant potential given the right support. Our reporting will therefore change to focus on total branded sales which are a better measure of the success of our strategy.

Strategic objective:
to drive category growth

We'll achieve this by focusing on our five strategic priorities:

Consumers | Brands | Customers | People | Costs

How will you continue to afford increased investment in your brands? Are there more costs you can take out of the business to pay for this?

Over the past couple of years we've made great strides in reducing complexity in the business and lowering our costs. We've eliminated more than 700 low-margin and slower-selling SKUs, or product codes, from the portfolio and more than halved our supplier base. We're also working smarter as a result of improving our systems and processes. And we continue to drive efficiencies in our manufacturing and logistics operations through attractive capex payback projects. There are always opportunities to do more and we have many projects under way to drive even lower costs. For example, improving the efficiency of our promotional spend, even by a few percentage points, helps free up significant cash to invest elsewhere.

How are your supplier relationships following the media focus on your 'Invest for Growth' programme?

We've always had strong relationships with our suppliers which is why the negative media attention was disappointing. At the time, I said publicly that we made mistakes in implementing some elements of our Invest for Growth programme and we changed it accordingly. But the programme has been successful overall in helping us halve our supplier base and enabling us to develop more strategic partnerships with fewer suppliers. Our remaining suppliers have benefited as a result, including many small and medium sized businesses. The results of anonymous surveys of our supplier base show that relationships remain strong and we're working even closer with suppliers now on sharing ideas and innovation that can stimulate mutual growth.

Is international growth a big opportunity for Premier Foods?

There are potentially lots of growth opportunities for our brands beyond the UK. I think we're only scratching the surface at the moment. We're now investing in building a stronger International team, in a dedicated business unit, to go after these opportunities. Our longer-term strategic focus is on scale markets such as China, the United States and Australia. But there are plenty of near-term opportunities in other markets. For instance we are successfully building a stronger business in Ireland.

With all the changes in recent times, what are you doing to engage your employees?

We conducted our first all-colleague survey a couple of years ago and will be repeating that in 2015. Based on feedback received, we spent a lot of time in the last year developing a clearer purpose and values for the business so that colleagues better understand the direction we're heading. We've also invested time and money in improving our communications, upgrading the workplace environment and developing a more coherent people strategy. One major initiative was the granting of 500 free shares to all colleagues helping us motivate and align colleagues with shareholder interests. We've also had some great new people join us over the last year which is helping create positive energy across the business.

What is your outlook for the year ahead? Where will the Company be in a year's time?

While it's encouraging to note the return of volume growth to both our categories and the wider grocery market, we expect the near term trading environment to be challenging. Nevertheless I'm confident that our strategy of investing in our brands, innovation and infrastructure is the right one and we are seeing increasing evidence that this is starting to pay off. Over the coming year, we expect to benefit from lower pension deficit contributions and capital expenditure which will enable us to significantly reduce our Net debt. The Board is firmly focussed on the creation of future value and believes our investment strategy, combined with a continued focus on cost efficiency, Trading profit delivery and organic de-leveraging positions us well for future success.

Gavin Darby
Chief Executive Officer

18 May 2015

Marketplace

Ambient grocery market

We operate primarily in the ambient grocery sector which incorporates all food and drink except frozen, fresh, chilled and alcohol. In 2014/15 the ambient grocery market was worth around £29.0 billion and grew by 0.9% over the year making it both the largest segment and the fastest growing within the total UK food and non-alcoholic drinks market.

Our categories

Our business is organised around five key categories where we have strong competitive positions based on our leading brand portfolio.

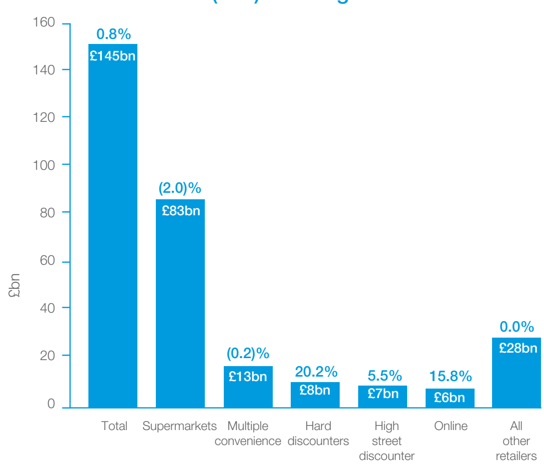
Category	Total market size	Market growth	Our market position	Our brands
Cooking sauces & accompaniments This includes wet sauces, accompaniments, kits and dry rice/pasta.	£943.3m	0.0%	No.1	*Sharwood's* *Loyd Grossman* *Homepride*
Flavourings & seasonings This encompasses gravy, stock (wet and dry formats), dried packet mixes and stuffing.	£483.7m	2.0%	No.1	*Bisto* *OXO* *Paxo*
Light meals & soups This includes instant soup, dry block flavoured noodles, pasta & sauce, savoury rice, pot snacks and instant mash.	£411.5m	2.3%	No.1	*Batchelors* *Smash*
Ambient desserts This includes individual pots including custard, rice, jelly, fruit, sponge puds, toppings, custard, condensed milk, cream & cream toppings, evaporated milk, sauces, ingredient mixes, jelly, whips and rice puddings.	£385.8m	1.0%	No.1	*Ambrosia* *Angel Delight* *Bird's*
Ambient cake This includes all ambient packaged cake excluding in store bakery.	£934.9m	0.3%	No.1	*Mr. Kipling* *Cadbury* *Lyons*

Kantar Worldpanel Purchase Total Market for 52 weeks to 29 March 2015.

Customer channel

The largest retail channels within the UK Grocery market are the major multiple retailers, such as Tesco, Asda, Sainsbury's, Morrisons and Waitrose (which incorporates their online and convenience store formats) and the majority of the Company's sales come from these major retail customers. We also sell to discounters ('Hard' discounters such as Aldi and Lidl, and 'High Street' discounters which include Iceland and bargain/pound stores) and smaller independent convenience stores. Our customers also include the food service channel which incorporates schools and hospitals, staff canteens, professional kitchens restaurants and pub chains. The relative sizes of these retail channels (which excludes foodservice) and their percentage growth are shown on the right:

Retail channel value (£bn) and % growth



Kantar Worldpanel Purchase Total Market for 52 weeks to 29 March 2015.

Changes in the financial period

On this page we discuss some of the key developments which occured in our marketplace over the course of the financial period.

A changing marketplace

As household budgets came under pressure following the global economic crisis, people learned how to shop differently in a quest for greater value. As people shop more often in a variety of different channels, the retail landscape is undergoing a structural shift that has implications for the wider food market.

The big weekly shop declined as consumers tightened their belts, looking for the best deals in different channels; whether it be discounters for the basics, online for convenience, small stores for frequent top ups or supermarkets for the rest. As disposable incomes have recovered, these new shopping habits have remained. Discounters, online and convenience stores have consequently continued to grow while the major supermarkets have had to re-evaluate their offering, resulting in intense competition in terms of price, quality and service.

These changes have a significant impact for branded food manufacturers. Providing the right product, to the right customer and channel, at the right price and format is critical. And closer customer collaboration is key. Those companies with leading brands, strong insights, operational scale and flexibility have a clear advantage.

To read more about how Premier Foods is creating opportunities from these changes go to the Customers section on page 15.

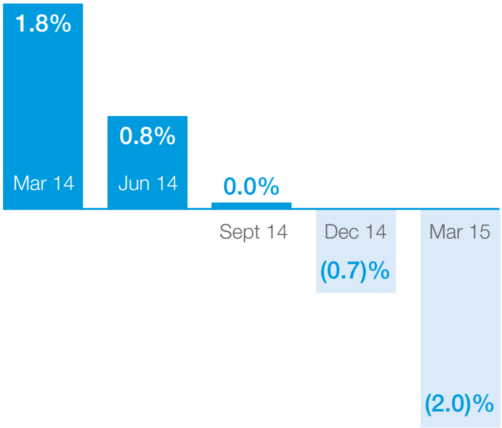
Deflation

As the market has become more competitive, food prices have come under pressure.

This has been further exacerbated by weak oil prices and the impact of strong harvests in the northern and southern hemispheres which have led to benign commodity costs. As a result, towards the end of 2014 food prices in the UK entered a period of deflation for the first time in 10 years.

In such an environment, growing sales revenues becomes more challenging and attention is shifting more to driving sales volumes. Using the right price points and promotions to encourage consumers to buy more of a particular brand has become increasingly important. In addition, retaining a tight control of costs is essential for maintaining profitability and continuing to invest in new products, marketing and technologies.

Grocery % price inflation / deflation



Kantar Worldpanel Purchase Total Grocery for the 12 weeks ending 29 March 2015.

Consumer trends

Alongside changes in the retail environment, consumer trends are changing too.

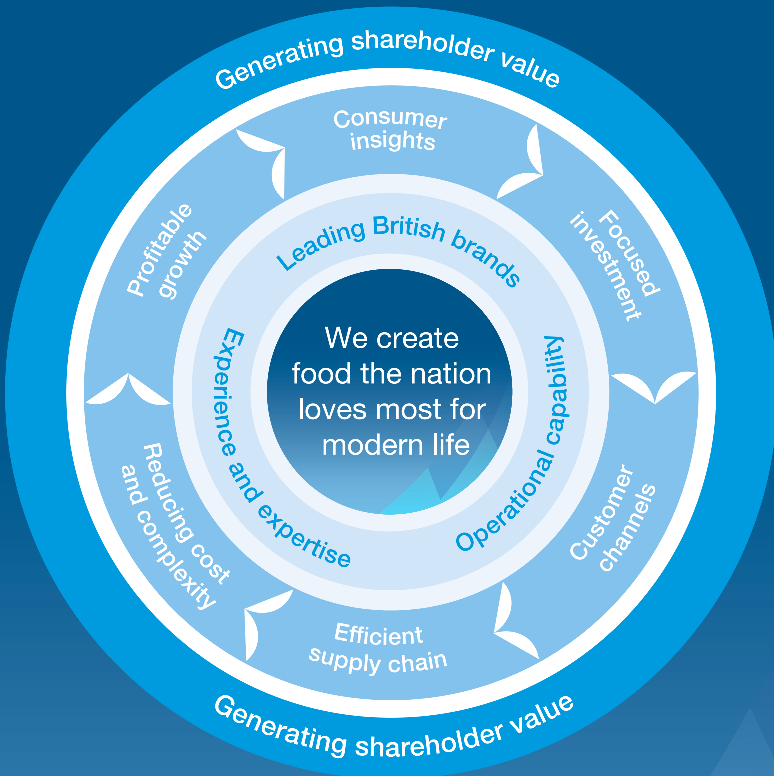
Modern life means people are becoming busier with less time on their hands to cook, despite a growing interest in food and bringing friends and family together around a home-cooked meal. The search for ways to make meal-making easier and tastier has never been greater; for example, hob-top cooking is the fastest growing cooking method as it is perceived as quicker than oven cooking after a busy day. This provides opportunities for categories such as cooking sauces or Flavourings & seasonings. Modern dishes, exciting flavours, convenient formats and simplicity of preparation all help capture consumers' imaginations.

Interest in health, well-being and provenance is also growing. Consumers are increasingly aware of the nutritional value of the food they buy and the need for moderation when it comes to sugar, salt or fat. Healthier choices, lower in fat, sugar and salt or with better-for-you ingredients such as wholegrains or added vitamins are becoming more popular. In addition clear information and labelling is considered essential.

Consumers still, however, find time for a treat. Indulgent categories such as sweet treats are continuing to grow as people look for new and exciting choices that deliver that moment of pleasure to brighten up the day.

Our business model

Our business model is based around our purpose – we create food the nation loves most for modern life. We focus on our consumers to develop a deep understanding of the role food plays in their lives and use this knowledge to create food that they love to eat. We believe this will drive increased sales and create value for our shareholders.



Our core assets

Leading British brands

We have a broad stable of leading British brands, many with a unique heritage going back over 100 years. With at least one of our brands in around 96% of British households we have a great portfolio which we can use to deliver new products which meet our consumers' needs.

Experience and expertise

Our management team have a deep understanding of today's food industry and our dedicated colleagues have vast experience in manufacturing and product development. We have strong capability in the areas of consumer insights, engineering and food science. Our values encourage an entrepreneurial culture where we can use our experience and expertise to move with agility to create the products our consumers want today, and tomorrow!

Operational capability

Our British manufacturing base can produce our products in a wide variety of packaging formats to meet today's food occasions, utilising modern technology and with industry leading standards of food and people safety.

Our core processes

Consumer insights	Everything we do starts with our consumers and understanding the role food plays in their lives. We delve deep into how they shop and when, where and why they cook and how they eat. This knowledge inspires the products we create to help consumers manage their busy modern lives, whether it's helping them to make a delicious home made meal quickly or providing a tasty treat on-the-go. Go to Consumers on page 13
Focused investment	Our investment is focused on our core assets. We invest in our brands by developing new products and marketing them through both traditional media, such as television, print and radio and aslo engaging with new digital channels. We invest in our operational assets to increase efficiency and we invest in our people to develop their potential. Go to Investing for success on pages 02 and 03
Customer channels	Strong relationships with our retail customers are critical in making our products available to consumers. We invest in strong partnerships and joint business plans to drive mutual growth. We do this by managing and growing categories, which suit our customers' needs, whether they be the major supermarkets, discounters or online. We also pursue customer own label contracts where they provide an appropriate return or facilitate increased operational efficiencies. Go to Customers on page 15
Efficient supply chain	We partner with our suppliers to source high quality, ethically sourced ingredients, buying from British suppliers wherever possible and collaborating with key suppliers on innovation to create shared business opportunities. We continue to focus on reducing our usage of natural resources and our environmental footprint. Go to Responsibility on pages 18 and 19
Reducing cost & complexity	We constantly seek to reduce costs and complexity to improve our efficiency and effectiveness and deliver our consumers the best quality and value we can. We embrace new technology and new ways of working and encourage our colleagues to treat every pound as their own. The more we can save, the more we can invest in our brands. Go to Costs on page 17
Profitable growth	The leveraging of our core assets through our core processes helps to fuel growth across a range of areas; including top line revenue growth, market share growth, brand equity growth and ultimately bottom line trading profit. Go to Operating review on pages 26 to 30

Generating shareholder value

By focusing on our consumers, investing in our brands, understanding our customers, manufacturing efficiently and keeping our costs under control, our business model is designed to drive profitable growth and generate the cash we need to pay down our debts and invest more in the business. We believe this balanced approach is central to the creation of value for our shareholders. And by acting responsibly and sustainably in everything we do we also bring wider value to our colleagues, our communities and others who touch our business.

Our strategy

The best opportunity to achieve sustainable growth is by driving category growth in the categories in which we operate. This aligns our business with the interests of our major customers. Our category leading brands ensure we benefit the most from a growing category.

Strategic Objective:
to drive category growth

We will achieve this by focusing on our five strategic priorities:

Our priorities	Key activities
Consumers Exploiting our deep UK expertise to delight our consumers	• Putting the consumer at the heart of everything we do by constantly updating our consumer research and refreshing our insights. • Gaining insights into shopper behaviour to see what motivates consumers when in store. • Translating these insights into innovation to meet evolving consumer trends.
Brands Building stronger brands and accelerating innovation	• Creating innovative new products to meet consumer needs. • Investing in new and traditional marketing for our brands. • Ensuring our promotional investments are effective, efficient and inspiring.
Customers Cultivating more responsive and valued customer partnerships	• Working closely with our customers to agree shared goals for our mutual growth. • Being agile to respond to the opportunities created by emerging retail channels. • Seeking strategic international opportunities for medium-term growth.
People Unlocking our people's potential	• Communicating our purpose and living our values. • Creating a workplace that drives an entrepreneurial approach to our business and allows people to develop their potential. • Constantly seeking improvement to our industry leading health & safety record.
Costs Working smarter to reduce costs and drive effectiveness	• Driving unwanted cost and complexity out of the business wherever we can. • Working smarter by improving our business processes and use of technology. • Building stronger partnerships with our key suppliers to support innovation and achieve mutually beneficial growth.

Being responsible and sustainable

• Health and well-being • Investing in young people • Community involvement • Sustainable supply chain

Consumers

Exploiting our deep UK expertise to delight our consumers

Our brands have a great British heritage, many stretching back over 100 years. They remain popular today because of the care we take to understand what our consumers are looking for. Around 96% of British households bought one or more of our products last year demonstrating how we are successfully adapting to consumer trends and developing the tastes, flavours and formats that help consumers meet the demands of modern life.

Consumer research

In the financial period we deepened our knowledge and expertise of the UK food market by analysing the results of a major research exercise focused on the values, attitudes and behaviours of 30,000 British households in relation to time, money, cooking and brands.

We identified seven key consumer profiles (see table on the right) that helped us understand what appeals to different consumer types and why. This gives us ideas about what new products to develop. And by identifying more accurately how the seven consumer types shop and the media they consume, we can also target our marketing and promotions in a more meaningful and effective way. The research is further validated by visiting consumers in their homes to see when, where and why they cook, how they eat their meals and what food they keep in their cupboards.

Shopper insights

Gaining insights into what motivates consumers when shopping is another important piece of the puzzle to understand where people are shopping, how they shop and why, and also how they behave once they are in store. The availability and location of products, the visibility on shelf and promotional campaigns are all factors that have an influence. We talk to shoppers about their shopping plans, their store selection, their journeys around the store and their thoughts and decision making in the shopping aisle. We also accompany shoppers on various shopping missions.

Using our insights effectively helps us design better products and packaging, plan the right marketing, communications and promotions and guides discussions with our retail customers.

Meeting consumer trends

We believe that the consumer trends explored on page 09 create specific opportunities for us. In 2014 we responded to the growing trend in convenient home cooked meals with new cooking sauce flavours and formats under our *Loyd Grossman* and *Homepride* brands as well as premium additions to the Favourings & seasonings category, such as *OXO* Herbs & More and *Bisto* Simply casserole pastes.

In response to consumer interest in healthy eating we introduced additional 'better-for-you' choices with added benefits such as *Ambrosia* Mini Pots, which provide kids with essential calcium and added vitamin D.

And to satisfy consumer tastes for an indulgent treat, we launched new ideas such as *Cadbury* Sticky Puds which give consumers a warming, tasty pudding which cooks in the microwave in just 30 seconds!

Seven consumer profiles

Smart Choices	This group are savvy in the kitchen and buy lots of ingredients to cook from scratch; healthy eating is never far from their minds.
Easy Value	Convenience on a budget is key as these consumers juggle between the need for more convenience and less spend while shopping locally.
Squeezed Families	These consumers are tight on time and money, often having to stretch the budget across many heads, so promotions are important as they seek the best deal for their families.
Club Celeb	Often with younger families these consumers love celebrity, fashion and social media. They are very brand aware and although not confident in the kitchen, they love their food.
Modern Foodies	These experimental cooks love to try new flavours on offer in larger stores and are avid followers of cooking shows on TV.
Traditional	This group is very brand loyal and often shop in the major multiples. Healthy eating is always a concern and they like brands they can trust.
Principled	This group have the income to ensure they live their values, shopping locally for organic products and are moderately interested in cooking.

Brands

Building stronger brands and accelerating innovation

Investing in innovation and marketing our brands is critical to our longer-term growth. In the last six months of the financial period we invested significantly more in building our brands and the benefits of these investments are starting to deliver results.

Innovation

We are continually on the look out for fresh ideas to delight our consumers. Whether it's our development chefs experimenting in the kitchen or our suppliers offering ideas through our dedicated online innovation portal, we seek inspiration from wherever we can to develop new products and we use our operational scale and technology to bring these to market. In 2014/15 we've invested in strengthening our innovation teams to accelerate the number, and quality, of new products we are launching in our core categories.

In Flavourings & seasonings, we capitalised on the growing consumer trend in favour of 'wet' stock by launching *OXO* Herbs & More. These herb-infused stock melts come in a range of flavours providing consumers with an easy way to add flavour to their home cooked meals. It was developed from insights that revealed people are looking for a greater range of tastes but without the added cost of buying lots of extra ingredients, such as fresh herbs which often get wasted. Similarly we launched *Bisto* Simply casserole pastes and *Bisto* premium gravy offering consumers even more opportunities to make classic home-cooked dishes with extra flavour.

In Cooking sauces & accompaniments, we re-launched our *Homepride* brand with a combination of both modern new flavours, such as Nacho Bake, as well as traditional favourites, such as Spaghetti Bolognese, replicating the experience many families enjoy at their local pub or restaurant. This was supported by TV advertising for the first time in 10 years, social media and refreshed packaging helping communicate how *Homepride* helps time squeezed mums quickly prepare a wholesome family meal within budget. To help our consumers create more premium, Gastro pub style dishes such as Moroccan Tagine, we also launched 14 different flavoured sauce pouches under our *Loyd Grossman* brand.

Marketing

Investing in marketing our brands is a key part of our strategy to drive category growth. Over the year, more of our brands were advertised on TV as we reminded consumers how great our brands taste and how versatile they are for modern life. We also invested more in developing digital channels and social media to engage people directly with our brands and we revitalised much of our packaging to communicate a more vibrant and contemporary image.

2014 witnessed the most significant investment in marketing in years behind our largest brand, *Mr. Kipling*. The "Life is better with cake" campaign saw the creation of a new brand slogan, new packaging graphics, a quirky TV ad, radio partnership with Heart FM and the creation of a gigantic edible billboard made out of 13,360 individual cakes! The TV ad launched during the 2014 premiere of The X Factor with an on-pack competition to attend X Factor live shows together with social media content including contestants engaging with the product.

The integrated digital campaign also incorporated a new website and engaging social media activity to celebrate the fun and enjoyable experience of *Mr. Kipling* cakes.

Promotions

Promotions are also an important way to encourage shoppers to try our brands, particularly in the current retail environment. By working closely with our retail customers, our strategy is to focus on promotions that create the most value for all involved, avoiding those that are loss-making. These include a range of different executions from price offers to competitions to seasonal events.

For example, *Sharwood's* has taken advantage of the increasing popularity of Chinese New Year to launch dedicated in-store theatre and promotions encouraging consumers to cook Chinese for this special occasion and demonstrating through TV advertising how easy this can be with *Sharwood's* help. This works well with our retail customers and has been a big hit for *Sharwood's*.

Go online to see our latest *Homepride* TV ad:
www.premierfoods.co.uk

Customers

Cultivating more responsive and valued customer partnerships

Effective customer partnerships are crucial to achieving our growth ambitions. Our strategy of driving category growth is consequently aligned with what matters to our customers. By focusing on growing the categories in which we operate, our customers benefit and with leading brands within these categories, we also benefit.

Customer partnerships

The majority of our sales are with the major supermarkets in the UK and we work closely with each key customer to develop Joint Business Plans (JBPs) for the year. The JBPs set out details of agreed promotional plans, new product launches, in-store marketing activity and customer service expectations and how these can work best with each customer's own strategy and plans. To help construct the JBPs we share insights and expertise with our customers that will maximise the opportunities for category growth. We take a similar partnership approach across our broader customer base.

To support this approach, we changed our organisational structure in September 2014 to create separate fully accountable Strategic Business Units for our Grocery and Sweet Treats businesses. In addition, to enable a sharper focus on the brand and category opportunities in these different sectors, the new structure aligns better with how many of our customers are organised from a buying perspective.

Channel opportunities

We are responding to the changing preference for different retail channels through taking a broad approach to capturing growth opportunities across all channels. This is assisted by using our full range of brands, packaging and manufacturing technologies.

In the small stores (the convenience channel) where space is at a premium, leading brands already have an advantage. By offering our customers different case sizes and packaging formats we can help give our brands an additional advantage. In January 2014 we announced our intention to invest £20m in building a new *Mr. Kipling* snack pack line at our bakery in Carlton, Barnsley. This will not only double our current capacity of snack packs to meet demand but also enable us to produce different packaging configurations better suited to different consumer and customer requirements. Following completion of the installation the new line became fully operational in May 2015.

Well-known, leading brands also have an advantage in the online channel and increasingly we are supporting our customers in driving sales through designing promotions and offers that work best in the online environment. In the High Street discounter channel, we have used brands, such as *Paxo* gravy and *Bird's* rice pudding, to capture opportunities in a format that are appropriate for this channel.

Opportunities for our brands are fewer with the hard discounters but we look for possibilities, both branded and own label, where these make sense and are profitable.

International

Outside of the UK we believe there are significant opportunities for our brands. In September 2014 we invested in a dedicated International business unit to focus on these opportunities.

Strategic markets include Australia, China and the United States where our approach is to work with partners who have the best local knowledge.

During the period we secured an agreement with the Swire Group to test and launch *Ambrosia* rice pudding pots in Shanghai, China. In Australia we started supplying the top two retailers with *Mr. Kipling* and *Cadbury* cakes. We also continue to develop opportunities for *Sharwood's* Indian sauces in the United States.

Closer to home, we increased our sales capability in Ireland to take advantage of the recovering food market and we continue to exploit tactical export opportunities in a range of markets across Europe and South East Asia.

In addition, we look for international products that can provide opportunities for us in the UK market using our distribution capability. For example, in November 2014 we partnered with Australian firm, Menora Foods, to bring their Peckish brand of rice crackers to the UK.

People

Unlocking our people's potential

Our people are a key ingredient in the delivery of our strategy; it's through their efforts that we can deliver category growth and also make Premier Foods a great place to work.

Purpose and values

Following our refinancing in April 2014 and the creation of the Hovis Joint Venture, we took the opportunity to engage with colleagues to refresh our purpose and create a new set of values. We asked people about the behaviours that we would need to demonstrate to help us to deliver our strategy, and the type of culture they would like to see that would improve the working environment. Our new purpose – we create food the nation loves most for modern life – emphasises the passion for food that lies at the heart of our business. We also came up with five core values that reflected what we agreed would make us more successful.

People strategy

From our purpose and values, we developed a new People strategy in the financial period with the ambition to create a more entrepreneurial workplace that better drives both business and personal growth. We invested in our central Human Resources function to help deliver the strategy and specifically strengthened our Learning & Development focus. New activities range from bespoke management training to vocational training at our sites. For example, our Ashford site introduced a new functional skills training programme in the financial period which will help colleagues improve Maths, English and ICT skills while working towards a Level 2 City & Guilds qualification.

Additionally, we doubled the intake of new apprentices in the financial period to develop our depth of engineering expertise, a commitment we recently extended for another two years. And we invested more in expanding and improving our communications, particularly using digital and video channels in support of our aspiration to become the best connected food company in the UK.

Aligning colleagues with shareholder interests is another important part of our people strategy and in 2014 we awarded all colleagues 500 free shares to promote a broader 'ownership' culture.

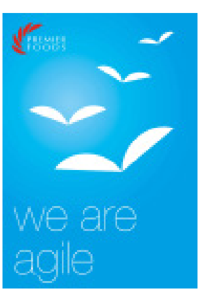
A breakdown of gender diversity at various levels in the business is set out on page 39.

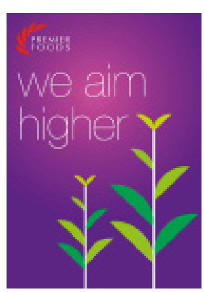
Health & Safety

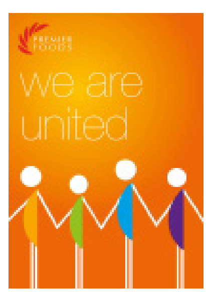
Making sure that all our people arrive home safely after work every day is a top priority. Health & Safety is taken extremely seriously by management at all levels in the Company and we continue to have one of the lowest accident rates in the food industry. Our unique, inclusive approach to hazard identification and control, our "Total Observation Process" (TOPs), is a vital preventative tool in making our factories safer places to work and is a key ingredient of our industry leading performance.

Our strong record was again recognised by the Royal Society for the Prevention of Accidents (RoSPA) in 2014 with our 13 sites winning 6 Gold and 2 Silver Achievement awards and three Gold Medal awards. The Gold Medal awards are given to those sites which have five or more consecutive years of being awarded the Gold standard. RoSPA also honoured us with awards for our SEQOHS Accredited in-house Occupational Health and Well-being Service and our management of occupational road risk.

Our five core values:







Costs

Working smarter to reduce costs and drive effectiveness

Our proven capability in driving cost and complexity out of our business underpins our strategy and fuels our investment in innovation and marketing our brands.

Reducing cost & complexity

Creating a simpler business enables us to be more effective and efficient. Over the last two years we have eliminated 700 lower margin, slower selling product codes or Stock Keeping Units (SKUs) allowing us to focus on the faster-moving and more profitable lines. We also more than halved our supplier base, significantly reduced our number of legal entities, simplified our management reporting and streamlined our governance processes. Developing a mindset of reduced complexity in all areas of the business helps keep us focused on what matters most – creating value for our customers, consumers and ultimately our shareholders.

Cost control is equally important and we continue to drive unwanted costs out of the business wherever we can. Our manufacturing and logistics operations have historically made year-on-year improvements in controlling their costs although this proved more challenging in the financial period as production volumes declined in line with lower sales volumes experienced earlier in the financial period. Additional opportunities to reduce our cost base continue to be explored.

Working smarter

Working smarter by improving our business processes and use of technology is another way we are improving effectiveness and reducing costs. In the period we completed the roll-out of SAP software solutions across our sites and shared service centre. As a result we replaced eight different legacy systems enabling faster and more efficient operational processes from supplier orders, to managing stock levels, production runs, meeting sales orders and delivery to our customers.

We have also driven our integrated SAP solution into the commercial functions improving the management of our trade promotions, enabling the generation of a ‘one number’ forecast and plan for the business. Expanding the use of Google tools and technology across the Company has improved our collaborative working and communications all the way from using shared documents, to Google ‘hangouts’ video conferencing and cloud based technologies.

Supplier partnerships

We are passionate about our supplier relationships and work hard to develop close partnerships that deliver mutual benefit. Each year we spend nearly £500m with UK suppliers and farmers representing around 88% of our total procurement budget. At the end of the financial period we are supporting 644 small and medium sized businesses, accounting for over half of our total supplier base.

As the scale of our business has changed, our strategy has been to reduce our supplier base and drive fewer, more strategic partnerships focused on innovation and growth through our supplier “Invest for Growth” programme. Supplier numbers were reduced to 1,230 by the end of 2014, less than half the level at the beginning of the previous year.

To strengthen relationships with the remaining supplier base we organised a major conference for our top suppliers at which we shared our business plans and discussed opportunities for suppliers to support our innovation plans. This included opening a dedicated online innovation portal in the autumn of 2014 which has so far generated more than a hundred different ideas for review.

We also conducted an anonymous supplier survey in 2014 via an independent company to identify ways to continuously improve our supplier relationships. The survey showed that 91% of suppliers surveyed believe their relationship with Premier Foods is ‘good’ or ‘very good’; higher than any of our benchmarked competitors.

In response to criticisms raised at the end of the year about the way some elements of our “Invest for Growth” programme had been implemented, we simplified our supplier negotiations to focus on more conventional arrangements. We have also supported proposals to improve transparency in payment terms in the future.

Responsibility

Being responsible and sustainable

Whilst our business has seen significant transformation over the last few years, taking responsibility for our social and environmental impacts has remained constant.

We all want to be sure that the food we buy is sourced ethically, with full traceability, and in a responsible way that respects and protects our natural environment. We also want the opportunity to eat healthily and have the right information to make the right food choices. And we want to know that our business is doing what it can to create opportunities for young people and is contributing to the community.

Health and well-being

Eating well is important to overall health. Nutrition is therefore at the core of what we do. We set nutritional standards to guide New Product Development, reformulate existing products and contribute to meeting government nutritional goals.

Over the financial period we continued to develop better-for-you products. For example, *Ambrosia* Mini Pots rice and flavoured custard are specially formulated for younger children containing calcium and additional Vitamin D which are essential for children's healthy development. We also continued to roll-out front-of-pack 'traffic light' nutrition labelling across our branded portfolio, providing helpful information to consumers as well as assisting our product development as we seek to reduce the number of 'red' labels on our packs.

In addition, we signed up to meet the government's Public Health Responsibility Deal 2017 salt reduction targets across a range of categories building on the work we've done over several years that has seen us remove around 1,000 tonnes of salt from our products. And we are working on ways to reduce sugar and calories wherever we can, for instance by implementing calorie caps on *Mr. Kipling* cakes and investing more in individually wrapped *Mr. Kipling* snack pack slices, the majority of which are under 140 calories per slice.

Investing in young people

Developing skills for young people continued to be an important priority for us over the financial period as we sought to attract more young people to the food industry as a career and support others on their journey to get on the first rungs of the employment ladder.

During the period, we doubled our intake of apprentices and have committed to take on similar numbers for the next two years. We contributed to raising apprenticeship standards through the government's Apprenticeship Trailblazer programme and continued our support for the National Skills Academy for Food and Drink. In addition, we continued to lead the Industry Advisory Board for the new National Centre of Excellence in Food Engineering at Sheffield Hallam University and supported the industry sponsored new M.Eng degree course in Food Engineering, also at Sheffield Hallam.

For the third year in a row we supported the Institute of Grocery Distribution's (IGD) 'Feeding Britain's Future' campaign. In the financial period all our sites took part offering 250 pre-employment skills training opportunities to young unemployed people as part of a national campaign offering over 15,000 opportunities in total. The campaign is being expanded this year to provide similar training to 13 to 17 year old schoolchildren and will aim to inform 5,000 youngsters across Great Britain.

Community involvement

Supporting the communities in which we operate has always been an important part of what we do. Our people give generously of their time to support a wide range of charitable and community based activities up and down the country.

Nationally we have a two-year partnership with a charity chosen by our employees to help make a bigger difference to a single cause. At the end of 2014, our two year partnership with Macmillan Cancer Support came to a conclusion. Through hundreds of different employee events organised locally and nationally, and with the generous support of our suppliers, we raised £320,000 - enough to fund 12,800 Macmillan nursing hours. We are aiming to provide similar support for our new charity partner, Cancer Research UK.

During the year we also expanded our support for Community Shop, a unique venture providing surplus food at significantly discounted prices to those that need it alongside a range of programmes to help kick start positive change in people's lives.

Read more on our website

Find out more about our approach to responsibility on our website:

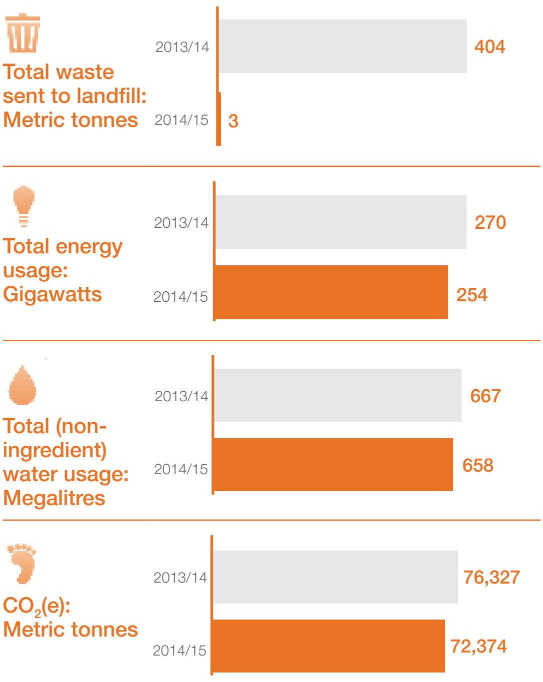
www.premierfoods.co.uk

Sustainable supply chain

Where we can, we source key ingredients from UK suppliers. Around 98% of the wheat, 94% of the sugar, 84% of the apples and 78% of the milk and milk products we buy comes from British farmers. This helps us keep supply chains short and standards high with quality we can trust. Making sure we source ingredients that are produced sustainably is also important to us and during the financial period we achieved our commitment to source 100% of our palm oil requirements from certified sustainable sources.

In 2014/15 we continued to improve our environmental footprint across our manufacturing sites. To provide an accurate year-on-year comparison of our environmental performance, we are reporting on a like-for-like basis including all manufacturing sites over which we still have operational control and excluding those sites that were divested or transferred to the Hovis and Knighton Foods Joint Ventures during the financial period.

Environmental performance 2014/15 vs 2013/14



Further information on our relations with stakeholders and our approach to business ethics can be found on pages 43 and 44.

2014/15 Target	2014/15 Absolute	2015/16 Target
Reduce waste sent to landfill by -20% (vs 2013/14)	-99.3%	Maintain zero waste to landfill
Reduce energy consumption by -2.5% (vs 2013/14)	-5.9%	-2.5%
Reduce (non)ingredient water usage by -5% (vs 2013/14)	-1.3%	-2.3%
Reduce Carbon equivalent (CO_2e) emissions by -3% (vs 2013/14)	-5.2%	-1.5%

Greenhouse gas (GHG) emissions reporting

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 requires quoted companies to report on environmental matters to the extent it is necessary for an understanding of the company's business within their annual report, including where appropriate the use of key performnace indicators (KPIs).

In the table below we have detailed our scope 1 & 2 GHG emissions for the period 1 January 2013 to 31 December 2014 from a 2011 baseline year. While the financial year end of the the Company has changed from 31 December, the regulations permit environmental reporting for a period outside of a company's financial year.

GHG Emissions	Global tonnes of CO_2(e) 2014	2013	2011 Base Year
Scope 1	68,620.79	129,562.28	158,164.71
Scope 2	64,190.74	114,611.23	133,046.62
Total annual net emissions	132,811.53	244,173.51	291,211.33
Overall Intensity ($kgCO_2e$ per tonne of product)	208.75	162.74	143.3

Methodology

Premier Foods' GHG emissions (detailed above) were assessed and calculated by the Carbon Trust using data collected and provided by Premier Foods and emission factors from Defra's Conversion Factors for Company Reporting 2014 for converting energy usage to carbon dioxide equivalent (CO_2e) 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 (Strategic Report and Directors' Reports) Regulations 2013. The emissions data relates to all production sites within the control of Premier Foods during the period and includes sites that were divested or transferred to the Hovis and Knighton Foods Joint Ventures for the period they were wholly owned.

Key performance indicators

Introduction

We use a large number of performance indicators to monitor financial, operational and responsibility performance. These are reviewed on a daily, weekly or monthly basis by our senior management teams. Strategic performance indicators are reviewed by directors at Board meetings. These indicators are used to encourage focus and measure performance across a range of areas and to highlight areas for attention and corrective action, as well as recognising good performance and celebrating success.

Our 10 Key Performance Indicators (KPIs) have changed a little since our last annual report. We expect our Selling, General & Administration (SG&A) base to be in line with current levels in the medium term so we have replaced this KPI with branded market share to reflect the importance of growing market share in our categories across our total branded portfolio. We have also amended our net debt KPI to a ratio, as this is tied to the Company's ability to resume dividend payments. Finally we have updated our KPI on recurring cash flow to be tracked as a percentage of EBITDA as this is a better indicator of cash available for the repayment of debt.

Change in year end

We have rebased our KPIs (for current and prior periods) following the change in financial year end and to reflect the impact of the creation of the Hovis and Knighton Foods Joint Ventures. Where possible we have shown performance for the unaudited Pro forma 52 week period ended 4 April 2015 (2014/15) against an unaudited Pro forma 52 week period ended 5 April 2014 (2013/14). However, in certain cases we have based performance on audited numbers which gives a 15 month period ended 4 April 2015 (2015) against a 12 month period ended 31 December 2013 (2013). Going forward our financial year will be for the 52 weeks ending on the closest Saturday to 31 March and next year all our KPIs will be year-on-year (YoY) comparisons.

Branded sales (Pro forma)

YoY growth in sales from our branded portfolio.

Why is this important?

Investing behind our brands to support long-term sustainable growth is one of our strategic priorities. Focusing on branded products improves margin potential and therefore increases profitability.

Progress we've made

During the period we experienced very challenging market conditions, including price deflation. As a result branded sales were down by 4.1%. We have continued to invest in our brands and have been encouraged to see sales gather momentum in the second half of the 2014 and in the first quarter of 2015.

Trading profit (Pro forma)

Pro forma trading profit is defined in the Operating review on page 30.

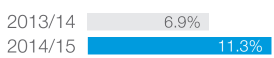
Why is this important?

Trading profit supports focus on our overall growth agenda and is a key measure used by the market.

Progress we've made

As a result of the challenging market conditions trading profit declined £8.9m in 2014/15 although an additional £8m was invested in consumer marketing in this period. Trading profit growth remains a strategic priority for the coming year.

% of sales from new products



Sales of new products as a % of our branded sales. New products includes new product launches and extensions to existing ranges.

(Based on IRI data to 21 March 2015)

Why is this important?

In order to generate category growth we must focus on innovation. This measure is an important indicator of whether we are responding to consumer trends.

Progress we've made

We have launched around 90 new products in the period including *Bisto* Simply Casserole Pastes and *OXO* Herbs & More and we have invested in our innovation team to bolster our innovation pipeline.

% 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 own label.

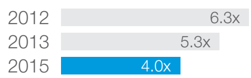
Why is this important?

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 performance was in line with prior year. The review covered 68% of our branded portfolio (by sales value) as part of a two year rolling programme. We will continue to focus on consumer quality benchmarking and reformulate any products testing below par.

Net debt/EBITDA ratio



The ratio measures the Company's overall level of debt. It is calculated as the Company's interest bearing borrowings, less cash, divided by its EBITDA.

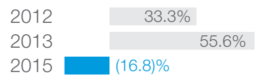
Why is this important?

The ratio is tied with the Company's priority to organically deleverage the business. Our banking arrangements allow the resumption of dividend payments when the ratio drops below 3.0x.

Progress we've made

Net debt reduced significantly from £830.8m (2013) to £585.1m (2015) in the financial period following the successful completion of the Capital Refinancing Plan. Cash management, working capital and reduction in net debt remain priorities for the Company. The Company's medium-term leverage target is 2.5x.

Recurring cash flow as a % of EBITDA



Recurring cash flow as a % of EBITDA. Cash flow is before non-recurring items such as the proceeds from disposals and associated restructuring costs and financing fees.

Why is this important?

Cash flow as a % of EBITDA is a good indicator of the underlying quality of earnings and the overall health of the business. It also identifies cash available to repay debt.

Progress we've made

The cash flow ratio was negative in the period primarily as a result of the change in financial year end which incorporates the phasing of pension deficit contributions, the seasonality of working capital and timing of interest payments. The business remains cash generative, allowing the Company to pay down debt and reinvest behind its brands.

Branded market share – Grocery & Sweet Treats

Grocery[1]

Sweet Treats[1]

For Grocery this is the percentage of the total sales of our branded products within the four Grocery categories in which we participate. For Sweet Treats this is our branded share of the Ambient Cake Category.

Why is this important?

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

Progress we've made

Following initial market share declines, increased investment and innovation in the second half of 2014 has had an encouraging impact. In the 12 weeks to 4 April 2015 we have seen a combined growth in market share of 0.9% for Grocery and Sweet Treats.

1. (IRI data for 52 weeks ending 4 April 2015 versus a year ago)

% of NPD to be 'better-for-you' choices

Sales value of New Product Development (NPD) with a claimable health and nutritional benefit.

Why is this important?

Aligns with our consumer insights which highlight consumer focus on 'better-for-you' options.

Progress we've made

Over the course of the period 52% of new products delivered a claimable nutritional benefit. Health remains a major area of interest for consumers and we will continue to identify opportunities to introduce NPD with 'better-for-you' choices.

Lost Time Accident (LTAs)

2014/15 **0.21**

LTA rate per 100,000 hours worked. An LTA is an accident which results in a colleague having to take any time off work.

Why is this important?

Our focus on all lost time accidents signals our determination to understand and mitigate accident risk, irrespective of its potential severity.

Progress we've made

In the period, our employee numbers reduced by more than half and comparison with prior years on a frequency basis is therefore less meaningful. However, on an absolute basis the YoY actual number of accidents which resulted in time off work reduced by 35% in 2014/15. Our focus for the coming year is to continue to improve our safety performance.

Carbon (CO_2) equivalent emissions (tonnes)

YoY reduction in Carbon (CO_2) equivalent emissions in relative terms.

Why is this important?

Reducing carbon emissions is a measure of our overall commitment to responsible manufacturing and reducing our impact on the environment.

Progress we've made

In 2014/15 we continued to improve our environmental footprint across our manufacturing and distribution sites. We reduced our CO_2 emissions by 5.2% in absolute terms in 2014/15 on a like-for-like basis. Our Greenhouse Gas Emissions were also lower in 2014. See page 19 for more information.

Managing our risks

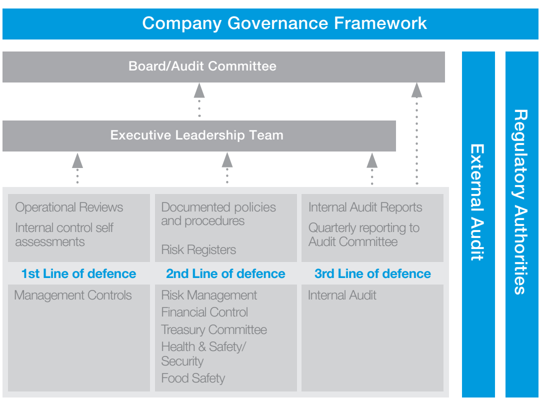
Board accountability

The Board has ultimate responsibility for the effective risk management of the Company's strategic objectives. The Company has a well-established process which has operated throughout the financial period that identifies and monitors the key strategic and operational risks, ensures appropriate mitigating activities and reports on their effectiveness.

The Board has considered and approved the risk management policy, the risk appetite of the Company (discussed on the opposite page) and has delegated the review of the risk management process to the Audit Committee. The Audit Committee receives regular reports from management, internal and external auditors, detailing the risks that are relevant to our business activity, the effectiveness of our internal controls in dealing with these risks and any required remedial actions along with an update on their implementation.

The Audit Committee reports to the Board on the effectiveness of the risk management process. Day-to-day risk management is the responsibility of senior management as part of their everyday business processes and is underpinned by the Company's policies and procedures to ensure this is fully embedded.

There is a structured business review process that operates across all business areas which management report to the Board and this, along with the corporate governance framework, further underpins the ongoing management of risk.



1st line of defence — management controls

The internal control system provides senior management with an ongoing process for the management of the risks that could impact on the fulfilment of the Company's business objectives. The system is designed to manage rather than eliminate the risk of failure to achieve our business objectives and can only provide reasonable, not absolute, assurance against material misstatement. Our internal controls cover all areas of operations. The system also supports senior management's decision making processes improving the reliability of business performance.

2nd line of defence — corporate oversight

Risk Management — The Company operates a formal risk management process designed to provide information to the Board, drive internal audit activities and support the executive and senior management in identifying and mitigating the key risks facing the business on an ongoing basis. Collective top down executive reviews are conducted, as a minimum twice per annum, and detailed functional risk registers are maintained for each business area.

Financial Control — The Company maintains a strong system of accounting and financial management controls. Our accounting controls ensure data in the Company's financial statements on pages 75 to 133 are reconciled to the underlying financial systems. A review of the data is undertaken to provide assurance that the true position of the Company is reflected, through compliance with approved accounting practices. The Company has a dedicated team of finance managers aligned to business areas, supported by systems to provide the best available decision making information to management on an ongoing basis. This is reflected in an annual budgeting process, monthly management reporting and ongoing investment appraisal.

Treasury and Risk Committee — This committee focuses on the commodities purchased by the Company, reviewing our policies and operational delivery with respect to forward trading and foreign exchange exposures.

Health & Safety — The Company maintains an ongoing programme of Health & Safety audits and has established internal Health & Safety compliance tours at all factory sites.

Food Safety – The Company has developed and implemented Corporate technical standards and established an ongoing food quality and safety compliance programme which audits all factory sites and major suppliers. This supplements internal testing facilities established as part of our internal control system which confirm food quality, safety and authenticity.

3rd line of defence — internal audit

The Audit Committee annually reviews and approves the internal audit programme for the year. The Committee reviews progress against the plan on a quarterly basis considering the adequacy of audit resource, the results of audit findings and any changes in business circumstances which may require additional audits.

The results of internal audits are reported to the Executive Leadership Team and senior management and where required corrective actions are agreed. The results of all audits are summarised for the Audit Committee along with progress against agreed actions.

Risk appetite

The organisation's approach is to minimise exposure to reputational, financial and operational risk, whilst accepting and recognising a risk/reward trade-off in the pursuit of its strategic and commercial objectives.

As a food manufacturing company with many well known brands the integrity of the business is crucial and cannot be put at risk. Consequently it has a zero tolerance for risks relating to health and safety and food safety. The business, however, operates in a challenging and highly competitive market place and is in a turnaround phase. As a result it recognises that strategic, commercial and investment risks will be required to seize opportunities and deliver results at pace.

It is therefore prepared to make certain financial and operational investments in pursuit of growth objectives, accepting the risk that the anticipated benefits from these investments may not always be fully realised. Its acceptance of risk is subject to ensuring that potential benefits and risks are fully understood and sensible measures to mitigate risk are established.

Changes since last year

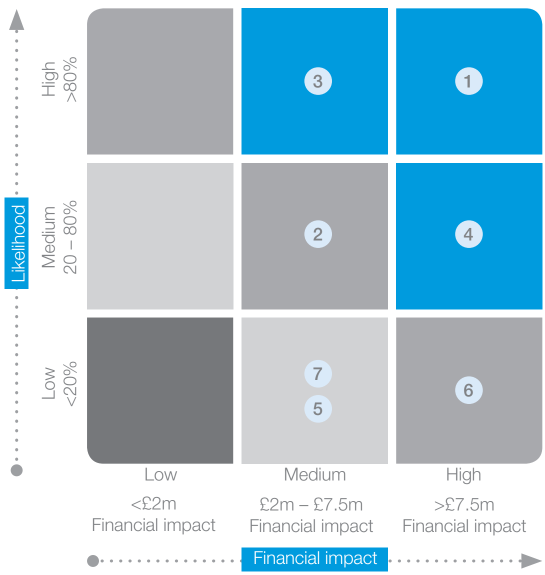
There have been significant changes in the organisation since last year which address a number of strategic risks highlighted in the last annual report. We have successfully completed our Capital Refinancing Plan (as described on page 02), although the pension fund deficit remains a major liability and is still identified as a principal risk. We have also completed the Hovis Joint Venture and handed over the majority of transitional service arrangements to the new entity. This has allowed us to focus on our core Grocery and Sweet Treats businesses and restructure the organisation into Strategic Business Units (SBUs) including an Internaional SBU focussed on opportunites outside the UK. The new structure will enable us to align ourselves more closely with growth opportunities and provide stronger profit and loss accountability.

Notwithstanding these achievements, the Company remains more leveraged than the industry norm and the success of its commercial strategy, against a challenging market, will be required to complete the business recovery plan and deliver a platform for sustainable category growth. The success of the organisation's product strategies, including effective execution of marketing and innovation plans, as well as our relationships with key customers, are critical to achieving this turnaround during the coming financial year.

Last year's report highlighted delivery of commercial strategy as a principal risk. This remains the case but is now broken down into a number of components including challenging market conditions, dependence on key customers and licensing agreements and the organisation's internal capability and structure. There have been extensive activities to improve our talent management and staff retention capability in the financial period at both Executive Leadership Team and operational level. This focus will continue over the next financial year and address the risks highlighted in the last annual report around employee engagement and retention of key management. Last year's report also highlighted external communication as a strategic risk. This is now considered as part of a broader risk around responsibility and stakeholder perception, which the Company is addressing following a negative media focus on our supplier relationships in late 2014 as discussed on page 07.

For this year's report we have focused on five key strategic risks which pose the greatest threat to the delivery of our strategy. We have summarised a number of operational risks which we believe are common to all food manufacturers under the headings; Operational continuity and Legal and regulatory compliance. These risks are identified on the heat map below and are described in more detail on pages 24 and 25, together with a discussion of the mitigating activities we are taking to reduce the likelihood or potential impact of these risks. Our website also contains a more detailed discussion of operational risks six and seven below.

Summary of major strategic & operational risks



1 Market conditions
2 Organisational structure and capability
3 Responsibility and stakeholder perception
4 Commercial arrangements
5 Pension fund deficit
6 Operational continuity
7 Legal and regulatory compliance

Managing our risks

Risk dimension	Mitigating activities
1 Market conditions There have been fundamental changes in the UK retail environment, including rapid growth of discounters, online and convenience shopping, and shifts in consumer shopping and eating patterns. These factors, together with an economic environment of price deflation, may impact revenue, volumes and/or margins.	We have restructured the organisation and established Strategic Business Units, each with full profit and loss accountability, to align the business with future growth opportunities. We are investing in our brands to drive consumer demand and cement relationships with key customers. This will also align us with growth opportunities in online and convenience markets. We have a pipeline of product innovation initiatives under way to align our products with consumer trends, including convenient meal making, healthy eating and indulgence occasions, as well as dedicated teams to review and understand these trends. Margin impacts are mitigated by a strong focus on hedging activity and supplier risk management processes.
2 Organisational structure and capability The business has undergone a major restructure in 2014 with the creation of SBUs for Grocery, Sweet Treats and International. This has also resulted in an extensive people investment programme, particularly for commercial areas of the business. Attracting, retaining and developing high calibre staff is crucial for the successful delivery of our strategy, with marketing and innovation being a particular focus for the business. Decision making agility and the ability to respond quickly and decisively to changing market conditions are also critical for being able to deliver our objectives.	The restructure was successfully completed with minimal operational or customer impacts. We have high calibre individuals in place to manage the SBUs and are making good progress in building additional commercial capability in the business. People management has been a key strategic priority in the financial period with the appointment of a new HR Director and creation of new roles in the HR team. Initiatives are under way to improve our employer brand proposition, employee engagement, talent management processes and to develop future leaders in the business. A number of key operational and technological initiatives are also under way to improve our communication and decision making capabilities.
3 Responsibility and stakeholder perception The business is committed to sustainability and endeavours to act ethically and responsibly in dealings with all parties. Effective management of our external communication is also important to maintain our corporate reputation, stakeholder relationships and brand equity.	We have clear corporate policies to ensure that we act responsibly in our dealings with all parties, including a Code of Conduct and supporting policy framework. There are also processes in place to ensure adherence to these policies. This is supported with corporate brand initiatives around charity and community related partnerships. We have dedicated Communications and Investor Relations teams to manage external communications and media responses and well co-ordinated plans for dealing with price sensitive information. The in-house team is supported by external agencies to maintain high quality and effective communications.

Risk dimension	Mitigating activities
4 Commercial arrangements Delivery of the Company's commercial objectives is dependent on a number of key arrangements with customers and suppliers. The business relies on the major UK retailers for a large proportion of sales. We have key licensing agreements for use of the *Cadbury* brand (which runs at least until 30 June 2017), and *Loyd Grossman* (continues until 2026 but is dependent on achieving performance targets).	We have worked closely with the major multiples to agree Joint Business Plans that are strategically aligned and reflect mutual growth opportunities. Strategic activity is also under way to grow our business with discounters, convenience and online markets, as well as in international markets. We enjoy good relationships with our licensed brand owners and are engaged in appropriate commercial discussions with them. Following the successful consolidation of our supplier base we work closely with all our suppliers and communicate our plans for mutual growth. We conduct independent benchmarking of our supplier relationships as described on page 17.
5 Pension fund deficit The Company supports a number of significant pension schemes which are in deficit on an aggregate level. The resulting balance sheet liability may fluctuate due to factors outside the Company's control.	The Company has agreed deficit funding payments which (unless the Company resumes payment of dividends) are fixed until the end of 2019. The RHM Pension Scheme, which is the largest scheme, has a sophisticated investment strategy which is designed to minimise risk while earning long-term returns in line with the scheme's funding requirements. The scheme makes use of swaps and other financial derivatives in order to hedge interest rate and inflation exposures. The smaller Premier Foods schemes have a much lower funding position and therefore less ability to hedge. These schemes are more reliant on cash contributions from the Company as well positive investment returns to reach a satisfactory long-term funding position. The Company enjoys close relationships with the various Trustees, through regular meetings with the Trustee Chairs through the Pension Liaison Forum and attendance by invitation of the CFO and members of his team at investment committee meetings.
6 Operational continuity Delivery of the strategy is dependent on the organisation's ability to minimise operational disruption from issues with facilities, IT and factory infrastructure, as well as procurement and logistics functions.	We have crisis management processes in place and business continuity plans are being refreshed on a site by site basis. The financial impact of material site issues is mitigated by insurance cover. Systems resilience is built in through the deployment of three data centres and a re-hosting project is planned for 2015 which will further improve resilience. Procurement category strategy plans are in place to monitor and mitigate risk around key suppliers.
7 Legal and regulatory compliance The business is subject to a number of Legal and regulatory compliance requirements and must continually monitor new and emerging legislation, in areas such as Health & Safety, competion law, food safety, labelling regulations and environmental standards.	Leading food industry processes are in place to manage Health & Safety and food safety issues, including an ongoing programme of internal and external audits. There are dedicated Legal and regulatory teams in place to monitor changes in legislation, ensure compliance across the organisation and defend against litigation where necessary.

Read more on our website

Find out more about our operational risks 6 and 7 on our website:

www.premierfoods.co.uk

Operating review

Pro forma results

Within this operating review, commentary unless otherwise stated is on a 'Pro forma' basis, which excludes all disposals and joint ventures transactions previously completed and is prepared for the 52 weeks ending 4 April 2015. All references to the 'year' in this section, unless otherwise stated, are for the 52 weeks ended 4 April 2015 and the comparative period, 52 weeks ended 5 April 2014. All references to the 'quarter', unless otherwise stated, are for the 94 days ended 4 April 2015 and the comparative period, 94 days ended 5 April 2014.

52 week results

£m	4 April 2015 (52 weeks)	5 April 2014 (52 weeks)	Change (%)
Sales			
Power Brands	504.5	528.9	(4.6)
Support brands	179.2	183.9	(2.5)
Total branded	683.7	712.8	(4.1)
Non-branded sales	83.7	90.5	(7.5)
Total	767.4	803.3	(4.5)
Trading profit	131.0	139.9	(6.4)
EBITDA	144.9	156.2	(7.2)

Quarterly sales results

£m	94 days to 4 April 2015	94 days to 5 April 2014	Change (%)
Sales			
Power Brands	124.9	126.9	(1.6)
Support brands	45.2	43.3	4.5
Total branded	170.1	170.2	(0.0)
Non-branded sales	15.9	16.9	(6.0)
Total	186.0	187.1	(0.6)

Note:
For the 52 week financial year ending 2 April 2016 (2015/16), the relevant 13 week 2014/15 comparatives which will be used for 2015/16 reporting can be found on page 33.

Introduction

Pro forma total sales for the 52 weeks ended 4 April 2015 were £767.4m compared to £803.3m for the prior year. In the quarter, total sales were (0.6)% lower than the comparative period at £186.0m, while branded sales were broadly flat and Power Brands sales were (1.6)% lower. Both the total branded and Power Brands performances reflect demonstrably improving trends and shows that the Company's strategy is starting to deliver in what has been a challenging trading environment.

Trading profit (as defined in the footnote on page 30) for the 52 weeks ended 4 April 2015 was £131.0m, in line with the Company's expectations and included approximately £8m higher consumer marketing expenditure than the prior year. In the six months to 4 April 2015, its key trading period, the Company invested 82% more in consumer marketing compared to the equivalent prior year period. Gross margins throughout the year remained solid, supported by improving branded mix benefits and a benign input cost environment.

> *Over the last 12 months, six of our major brands have benefited from TV advertising and we have launched a number of new products to market, with more to come this year."*
>
> **Gavin Darby**
> Chief Executive Officer

Market trends

The UK grocery market remains highly competitive. Previous quarters have been characterised by the well documented growth of the discounter, convenience and online channels, and while there was a broad continuation of these growth trends in the quarter, there is increasing evidence that the growth in the discounter channel in particular is slowing. With a degree of momentum building in the traditional supermarket channel, the growth profile of the different sub-channels is displaying signs of converging.

Measures of consumer confidence have demonstrated increased levels of disposable income for consumers and in the case of the Asda/Centre for Economics and Business Research income tracker, are at the highest level since records began in 2009. Food price deflation, reflecting a combination of benign input costs and price competition across the wider grocery market, has become progressively deeper over the last six months and reached (2.0)% in March. Concurrently, there are also signs of a return to volume growth across the grocery market.

Over recent months, the trend of volume growth in the UK grocery market, as measured by Kantar Worldpanel, has been steadily increasing, peaking at 2.8% at the end of March 2015.

Against the backdrop of these market conditions and trends, the Company has been successful in gaining significant volume and value share growth in its categories in the quarter. During this period, volume sales as measured by IRI increased by 9.0% and delivered 2.0 percentage points of share, while value sales grew 3.3% taking 0.9 share points. This performance reflects the results from the Company's strategy of investing behind its brands, bringing new products to market, working in close partnership with its customers and increasing the returns on its promotional activities.

Customer relationships

The Company has applied a great deal of focus in improving its customer relationships over the past three years. These closer partnerships include the early agreement of constructive joint business plans, with the overall objective of delivering category growth for mutual benefit. An illustration of the strong progress in this area can be seen by reference to the number of 'category captaincy' roles (or equivalent) held by the Company with its top six customers. In 2012, the Company held one category captaincy role from a maximum of thirty category/top six customer relationships; in 2015 this has now increased to 22. Additionally, it holds seven 'category advisor' roles.

Grocery

Over the last six months, the Company has increased its focus on bringing new and relevant products to market, based on sound consumer insights and working in close partnership with its customers.

Bisto recorded a strong quarter, growing volumes, sales, market share and household penetration, benefiting from the '*Bisto* Together Project' television advertising and two new product ranges. *Bisto* Simply Casserole and *Bisto* Gravy Pastes have been well received and reflect consumer trends and insights around convenience and 'foodieness'. The introduction of the *OXO* Herbs & More range aligns very well to these consumer trends and assisted *OXO*'s volume growth in the quarter. The earlier timing of Easter also benefited *Bisto* and to a lesser extent, *Ambrosia*, with the latter growing volumes, sales and market share in the quarter reflecting a good performance from the mini pots range, its loyal consumer following and strong category position.

Sharwood's reversed its recent quarterly performances, delivering increased sales in the quarter following stronger in-store execution of Chinese New Year and supported by TV advertising. Sales of *Homepride* increased over the 52 week period as a result of the more contemporary range introduced in the middle of 2014, in addition to its first TV advertising for ten years.

Loyd Grossman sauces saw the launch of new premium 'Gastro' and 'Classics' ranges in one major customer, while sales of *Batchelors* were lower than the same period last year.

Innovation in the first half of 2015/16 will see the launch of *Sharwood's* Stir Fry Melts and *Loyd Grossman* Pan Melts. These products build on the gel pot technology used by other products in the portfolio and are based on consumer insights and trends which reveal that hob cooking is the most popular and fastest growing main meal cooking method. During the last year, the Company delivered 11.3% of its sales from new products launched over the previous 24 months, compared to 6.9% in the previous year. The Company's target is to increase this to 20% of sales over time.

Sweet Treats

The performance of the Company's major cake brands, *Mr. Kipling* and *Cadbury* cake, have been instrumental in driving category growth of +3.8% during the quarter. A combination of the major branded relaunch in 2014, TV advertising and strong execution of a promotional campaign in an expandable category have enabled *Mr. Kipling* to deliver increased volumes, sales and share in the quarter. Building on this excellent momentum, new *Mr. Kipling* milkshake flavour snack pack slice products have just been launched with all variants available in all major customers.

In *Cadbury* cake, all the key metrics of volumes, sales and share increased in the quarter due to strong in-store execution and the earlier timing of Easter in 2015. During the first half of 2015/16, *Cadbury* cake will benefit from its first TV advertising campaign for eight years and will see new limited edition products launched in time for Halloween. Due to the earlier timing of Easter this year, the Company expects a slower first quarter in its Sweet Treats business.

The implementation of the new snack pack line at the Company's factory in Barnsley, South Yorkshire has entered commissioning stages with products now being distributed to customers. This new line will increase the Company's snack pack slices capacity by over 130%, significantly increases its level of automation and provides additional flexibility on pack format sizes. The pack size flexibility presents the Sweet Treats business unit with valuable additional options for its promotional strategy and also provides opportunities to enter the convenience channel through twin-pack format sizes.

The business unit has recently been successful in winning certain non-branded cake contracts. The Company will review non-branded contracts applying judicious economic rationale, while recognising the benefits that can be drawn from enhanced customer relationships and optimal utilisation of its manufacturing facilities.

Goodwill which arose on past acquisitions has previously been allocated to the combined Grocery and Sweet Treats business units. As a result of the Company's decision to move to a Strategic Business Unit structure, the Company has for the first time been required to assess the carrying value of the Sweet Treats business as a stand alone entity. The goodwill allocated to the Sweet Treats business has been assessed and consequently, the Company has recognised an impairment of goodwill of £67.9m in respect of its Sweet Treats business for the financial period ended 4 April 2015. Despite this non-cash charge, the Company considers the Sweet Treats business presents many further opportunities for future growth.

Operating and financial review

International

Over the last two quarters, the International business unit has been upweighting its resources to enable it to realise the available opportunities in its selected strategic geographies: USA, Australasia and China. In the quarter, additional focus in Ireland has delivered increased sales growth compared to the prior year, although this was partly offset by adverse foreign exchange movements.

Consumer marketing

During the year, the Company's consumer marketing spend as a percentage of branded sales was 4.8% and in the last six months of the year, total spend was 82% higher than the equivalent prior period. The Company has committed to delivering a double-digit % increase in its consumer marketing spend over the medium-term.

The Company expects to meet this medium-term target in 2015/16, with eight of its brands planned to benefit from television advertising and further new products due to be launched.

Group & corporate costs, efficiency and organisation structure

In recent years, the Company has been successful in keeping a tight focus on its overhead cost base. Since the completion of the Capital Refinancing Plan in April 2014, the Company has chosen to increase its proportion of revenue generating overheads such as international, marketing, innovation and sales while at the same time driving efficiencies in support functions such as shared services and IT. During this time, the headcount of revenue generating colleagues has increased by 22.5% while support functions have reduced by 17.6%. This switch in the overhead cost base supports the Company's strategy of driving category growth while maintaining a strong focus on efficiency and cost control.

As previously announced, the Company has a healthy pipeline of capital projects with attractive financial paybacks. During 2015/16, it will be investing in a number of capital projects which expect to deliver payback returns on cost release initiatives of less than three years. The Company expects to spend approximately £25m on capital expenditure in 2015/16 of which about a third will be assigned to cost release projects. In particular, a number of projects are underway at our Stoke cake bakery to increase automation on packing lines, reducing a number of manual tasks and so delivering efficiency benefits.

The Company continues to focus on improving the returns on investment from promotional activity in which it participates with major customers. As a result of a more sophisticated approach in this area, the proportion of promotions which exceeded the Company's sales and returns targets increased to over 40% in the quarter.

Over the last two years, we have reduced the number of SKUs (product codes) by 43% and more than halved the number of suppliers. Our supplier programme has, in particular, enabled us to develop more strategic, and mutually beneficial, partnerships focused on growth, including with many small and medium sized businesses. We plan to continue strengthening our supplier relationships based on mutual respect.

The Company's new Strategic Business Unit structure, announced in September 2014, is starting to deliver clear and tangible benefits, facilitating more agile ways of working and allowing greater focus on delivering category growth. Each Strategic Business Unit has fully embraced the ethos of the new structure; ensuring the right teams are in place, accelerating product innovation, furthering cost reduction initiatives and delivering joint business plans with customers.

Net regular interest

Net regular interest was £47.8m in the year, £17.2m lower than the prior period. Following the completion of the Company's Capital Refinancing Plan, and as expected, the constituent elements of the Company's financing charges have changed. The largest component is the interest payable on the senior secured notes, which amounted to £30.9m in the year. Bank debt interest, which includes interest on the Company's £272m revolving credit facility and also non utilisation fees, was £23.6m lower at £10.2m. Amortisation and deferred fees, which comprised a significant element of the Company's previous financing arrangements, were significantly lower in the year at £4.2m (prior year: £26.6m).

£m	4 April 2015 (52 weeks)	5 April 2014 (52 weeks)	Change (%)
Senior secured notes interest	**30.9**	1.2	–
Bank debt interest	**10.2**	33.8	69.8
Securitisation interest	**2.5**	3.4	26.4
	43.6	38.4	(13.5)
Amortisation and deferred fees	**4.2**	26.6	84.2
Net regular interest	**47.8**	65.0	26.5

The Company expects net regular interest for the 2015/16 financial year to be approximately £45m.

Associate investments

The Company holds a 49% interest in both Hovis Limited and Knighton Foods Limited. For the financial period ended 4 April 2015, the Company recognised a share of loss from associates of £(9.6)m of which £(8.9)m is due to the share of loss from the Hovis Limited investment. This loss primarily reflects one-off costs associated with the closure of the Hovis Limited Leicester bakery. The share of loss from the Company's investment in Knighton Foods Limited was £(0.7)m during the period. The Company's investments in associates as at 4 April 2015 were £14.4m, of which Hovis Limited accounted for £5.5m and Knighton Foods Limited £8.9m. As at 4 April 2015, the Company held loans to associates of £20.8m. This included £17.1m related to the investment in Hovis Limited and £3.7m which related to Knighton Foods Limited.

Cash flow

The following commentary refers to the cash flow movements in the quarter. The financial review includes commentary on the Company's cash flows and movement in borrowings for the financial period ended 4 April 2015 and the comparative period; the year ended 31 December 2013.

£m	1 January 2015 – 4 April 2015 (94 days)
Pro forma Trading profit	**23.7**
Depreciation	3.9
Interest	(16.3)
Pension contributions	(6.6)
Capital expenditure	(10.6)
Working capital & other	(10.7)
Cash outflow	**(16.6)**
Net debt at 31 December 2014 (Unaudited)	**567.6**
Cash outflows 1 January 2015 – 4 April 2015	16.6
Debt issuance cost amortisation	0.7
Reported Net debt at 4 April 2015	**584.9**

Total cash outflows in the quarter were £(16.6)m. Trading profit was £23.7m, while depreciation in the quarter was £3.9m which is in line with the Company's expectations for its ongoing rate of depreciation. Interest paid was £(16.3)m and reflects a bi-annual payment of interest relating to the senior secured notes in the quarter. Capital expenditure of £10.6m is slightly higher than the run rate for 2015/16 but is due to rollover effects from the prior year notably from the new *Mr. Kipling* snack pack line at our Barnsley cake bakery in South Yorkshire. The working capital outflow of £(10.7)m reflects the normal working capital cycle of the Company between December and early April, owing to the seasonal nature of the business. Pension contributions of £(6.6)m were in line with the previously agreed schedule of pension deficit contributions and costs associated with administering the pension schemes.

Net debt

	£m
Reported Net debt at 31 December 2013	**830.8**
Movement in cash in period	(236.0)
Movement in debt issuance costs	(9.9)
Reported Net debt at 4 April 2015	**584.9**

Net debt at 4 April 2015 was £584.9m, which reduced from £830.8m as at 31 December 2013. This major reduction reflects the equity issue net proceeds of £340.1m following the completion of the Capital Refinancing Plan in April 2014. It should be noted that due to the seasonal nature of the Company's business, the natural low point in the working capital cycle is at the end of December. With the change in the financial reporting year end to the beginning of April, reported Net debt is expected to be on average, approximately £20m–£30m higher than the previous December.

Pensions

Pensions (£m)	4 April 2015	31 Dec 2013
Assets		
Equities	**348.5**	299.7
Government bonds	**547.5**	515.7
Corporate bonds	**329.8**	384.1
Property	**260.0**	181.7
Absolute return products	**1,332.9**	1,268.2
Cash	**294.4**	192.3
Infrastructure funds	**196.6**	193.5
Swaps	**430.0**	(116.6)
Private equity	**250.9**	190.2
Other	**257.9**	109.6
Total Assets	**4,248.5**	3,218.4
Liabilities		
Discount rate	**3.30%**	4.40%
Inflation rate (RPI/CPI)	**3.0%/1.9%**	3.35%/ 2.35%
Total Liabilities	**(4,460.3)**	(3,821.7)
Deficit (IAS 19)	**(211.8)**	(603.3)
Deferred tax (21.4%/23.25%)	**45.3**	140.3
Deficit net of deferred tax (IAS 19)	**(166.5)**	(463.0)

The IAS 19 pension deficit at 4 April 2015 was £(211.8)m, equivalent to £(166.5)m net of deferred tax. This is £391.5m lower than the valuation as at 31 December 2013. The valuation at 4 April 2015 comprised a £241.6m surplus in respect of the RHM scheme and a deficit of £(453.4)m in relation to the Premier Foods schemes. This substantial reduction in the combined schemes deficit is due to the following factors: a widening of credit spreads between government gilts and corporate bonds; the impact on assets of the schemes' hedging strategy, a reduction in inflation rate assumptions and improved investment performance. The impact on the assets of the schemes' hedging strategy can be referenced by the increase in the Swaps asset class in the table above, and accounts for over half of the total increase in the schemes' assets.

Operating and financial review

The reduction in the pension valuation between these dates has no impact on the previously agreed pension deficit cash contributions which are fixed until 2019. One approach in valuing the pension liabilities as part of the Enterprise value of the Company is to discount the post tax future cash flows of the agreed deficit contribution payment schedule. On this basis, the pension schemes deficit is valued at approximately £390m.

Pension sensitivities (IAS 19 basis, £m)	Increase/ (Reduction) in assets	Increase/ (Reduction) in liabilities	Increase/ (Reduction) in deficit
25 basis point decrease in government gilts	175	205	30
25 basis point increase in credit spreads	–	(190)	(190)
25 basis point increase in RPI	70	85	15
Life expectancy increase by 1 year	–	140	140

The above table intends to provide assistance in understanding the sensitivity of the valuation of pension assets and liabilities to market movements of government gilts, credit spreads and the retail price index (RPI). It is stressed that these sensitivities are indicative only and may change over time as the schemes' execution of its investment strategy may evolve to maximise asset performance.

Outlook

We are encouraged by the return of volume growth to both our categories and the wider grocery market. While we expect the trading environment in the coming quarters to be challenging, our expectations for the year are unchanged. The Company's commitment to brand investment continues, with consumer marketing expenditure expected to increase materially in 2015/16.

Over the next year, the Company expects to benefit from lower pension contributions and capital expenditure which will enable it to significantly reduce Net debt. The Board is firmly focussed on the creation of future value, and with its investment and growth strategies, combined with a focus on cost efficiency, Trading profit delivery and organic de-leveraging, believes it is well positioned to deliver success.

Gavin Darby
Chief Executive Officer

18 May 2015

Reconciliation of statutory numbers (continuing operations) to Pro forma

'**Pro forma results'** the Company's results for the 52 weeks ended 4 April 2015 are presented on a 'Pro forma' basis, unless otherwise stated. The 'Pro forma' results are unaudited, exclude the results of previously completed business disposals, joint ventures and are presented to illustrate the performance of the Company on the new reporting calendar methodology.

'**Continuing operations**' includes the respective periods that the Company maintained ownership of completed disposals in 2013 and joint ventures entered into. The results of the financial period to 4 April 2015 and its comparative period, the year to 31 December 2013, are commented on in the financial review on the next page.

£m	Continuing operations	Less: Disposals	Less: Knighton JV	Less: 1 Jan – 6 Apr 2013	Add/(Less): 1 Jan – 5 Apr 2014	'Pro forma' business
2014/15						
Sales	**964.3**	(0.2)	(8.1)	N/A	(188.6)	**767.4**
Trading profit	**150.2**	3.8	0.7	N/A	(23.7)	**131.0**
EBITDA	**168.7**	3.6	0.7	N/A	(28.1)	**144.9**
2013						
Sales	**843.0**	(6.4)	(17.4)	(204.5)	188.6	**803.3**
Trading profit	**139.5**	(0.6)	0.7	(23.3)	23.7	**139.9**
EBITDA	**156.8**	(0.6)	(0.3)	(27.8)	28.1	**156.2**

Notes:

1. The statutory accounting period is from 1 January 2014 to 4 April 2015.
2. Pro forma results are prepared for the 52 weeks ended 4 April 2015 with comparative period of the 52 weeks ended 5 April 2014 and are unaudited.
3. Trading profit is defined as operating profit before re-financing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39, profits and losses from associate companies and pension administration costs and net interest on the net defined benefit liability.
4. EBITDA is Trading profit excluding depreciation.
5. Adjusted profit before tax is defined as Trading profit less net regular interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 21.4% (2013: 23.25%) divided by the weighted average of the number of shares of 731.4/366.1 million. Weighted average number of shares on a 52 week ended 4 April 2015 is 824.4 million (52 weeks ended 5 April 2014: 370.0m). Net regular interest is defined as net finance cost excluding write-off of financing costs, fair value adjustments on interest rate financial instruments and other interest.

Financial review

Introduction

Within this financial review, the Company presents its results for the financial period from 1 January 2014 to 4 April 2015 with comparative information for the year ended 31 December 2013. The Bread business is treated as a discontinued operation in the financial statements and is excluded from commentary on the Company's continuing operations. All commentary on the performance of the Company included below refers to continuing operations unless otherwise stated and therefore reflects the respective periods that the Company maintained ownership of completed disposals in 2013 and joint ventures entered into.

> *"During the period, the Company completed a capital restructuring including an equity issue of £353m, a senior secured notes issuance of £500m, a new revolving credit facility of £272m and a new pensions framework agreement."*
>
> **Alastair Murray**
> Chief Financial Officer

Company structure

During the period, the Company completed a capital restructuring including an equity issue of £340m (net of underwriting and advisory fees), a senior secured notes issuance of £500m, a new revolving credit facility of £272m and a new pensions framework agreement. This capital re-financing agreement completed on 14 April 2014.

The Company completed two joint venture transactions in the period; the bread business on 26 April 2014 ("Hovis Limited") and the powdered beverages and desserts business ("Knighton Foods Limited") on 28 June 2014. Both Hovis Limited and Knighton Foods Limited are reported as associates in the financial statements for financial period ended 4 April 2015. On 2 February 2013, the Company completed the disposal of the Sweet Pickles and Table Sauces business.

Financial policy change

The Company has conducted a review of its commercial costs and consequently decided to re-classify certain commercial costs from its selling, marketing and distribution costs classification to revenue, in order to better reflect the cost directly associated with revenue generation. Accordingly the comparative periods' financial statements have been restated to reflect this re-classification. While this has nil impact on Operating profit or Trading profit, it has the effect of reducing turnover for both the reported and comparative financial periods. Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, and taxes attributable to revenue and after eliminating sales within the Group.

Income statement

Revenue from continuing operations in the period was £964.3m compared to £843.0m in the prior year. Revenue in the period benefited from an additional 94 days while the Company experienced some challenging trading conditions, particularly in the first six months of the period. The prior year's revenue includes one month of trading for the disposed Sweet pickles & table sauces business and a full year of the Knighton Foods Limited business. While revenues remained lower for much of the remaining months of the period, the branded sales trend displayed a relative improvement, as a result of the Company's increased levels of investment in consumer marketing and launch of new products to market. Grocery revenues for the period ended 4 April 2015 were £699.6m compared to the prior year of £615.4m, while Sweet Treats revenues were £264.7m compared to the prior year of £227.6m.

Gross profit was £333.5m in the period, an increase of £46.6m compared to the prior year and included benefits from an increase in sales of higher margin branded products, the benefits to manufacturing overheads following the completion of the Knighton Foods joint venture and relatively benign input costs. Gross margin increased by 0.6 percentage points to 34.6% for the period ended 4 April 2015, reflecting the points identified above.

Divisional contribution for the Group was £196.4m in the period compared to £178.2m for the year ended 31 December 2013. Grocery Divisional contribution was £179.6m, an increase of £21.1m on the prior year, while Sweet Treats Divisional contribution was £16.8m, compared to £19.7m in the year to 31 December 2013. The reduction in Sweet Treats Divisional contribution reflects increased levels of consumer marketing investment in the period.

Operating profit

For the period ended 4 April 2015, the Group reported an Operating loss for continuing operations of £(44.1)m, set against an Operating profit of £52.6m for the comparative period. Before impairment and profit on disposal of operations, the Group delivered an Operating profit of £45.8m in the period, compared to £55.0m for the year ended 31 December 2013.

The main driver of the Operating loss in the period is a result of an impairment charge relating to the Sweet Treats business unit. As a result of the Company's decision to move to a Strategic Business Unit structure, the Company has for the first time been required to assess the carrying value of the Sweet Treats business as a stand alone entity. The goodwill allocated to the Sweet Treats business unit has been assessed and consequently, the Company has recognised an impairment of goodwill of £67.9m in respect of its Sweet Treats business for the financial period ended 4 April 2015. Despite this, the Company considers the Sweet Treats business presents many further opportunities for future growth. Additionally, the Company recognised impairment in the period of £16.0m relating to the write off of certain fixed assets at its Lifton site.

Trading profit in the period was £10.7m higher at £150.2m, due to the additional 94 trading days, partly offset by an increase in consumer marketing expenditure during the period.

Restructuring costs of £8.2m in the period were in line with the Group's expectations and relate to restructurings associated with the Knighton Foods Limited and Hovis Limited joint ventures. Amortisation of intangible assets was £47.6m for the financial period ended 4 April 2015 (year ended 31 December 2013: £43.8m). The Group expects the annual run rate for intangible asset amortisation to be approximately £38–40m.

A loss on disposal of operations of £6.0m was recognised on completion of the Knighton Foods Limited joint venture transaction.

Net interest on pensions and administrative expenses was £48.0m in the period (31 December 2013: £31.3m). This increase reflects the additional days in the period and a higher opening pension deficit valuation for the current period £(603.3)m compared to the prior year £(466.8)m.

Finance costs

Net finance cost for the period ended 4 April 2015 was £(81.9)m (year ended 31 December 2013: £(48.2)m).

During the period, the Group entered into a new set of financing arrangements following the completion of its Capital Refinancing Plan. Amortisation of debt issuance costs was lower in the period £(4.3)m compared to the prior year £(6.4)m, and is expected to be £4–5m per annum under the new financing arrangements. Interest payable on the senior secured notes was £32.3m in the period (31 December 2013: £nil), while interest on the term facilities reduced from £17.4m to £7.2m reflecting the repayment of the term facility as part of the Capital Refinancing which completed in April 2014. Additionally, the prior year benefited from a positive movement in the fair valuation of interest rate derivatives of £11.6m.

Profit before taxation

The Group made a loss before tax of £(135.6)m for the period ended 4 April 2015 compared to a prior year profit of £4.4m. An Operating loss of £(44.1)m and net finance costs of £(81.9)m as outlined above are the principal reasons for this performance. Share of loss from associates was £(9.6)m, of which £(8.9)m is due to the share of loss from the Hovis Limited investment.

Taxation

A taxation credit of £42.9m is reported for the period (year ended 31 December 2013: £51.1m charge), which largely reflects the loss incurred in the period. The applicable rate of corporation tax for the year was 21.4% (31 December 2013: 23.25%).

The Group's net deferred tax asset as at 4 April 2015 was £41.9m which includes tax benefits from future pension deficit contributions and benefits from prior year losses. Additionally, the Group has approximately £215m of brought forward corporation tax losses which equates to £43.0m of unrecognised deferred tax assets. In total, therefore, the Group has £84.9m of recognised deferred tax assets and unrecognised deferred tax assets which are available to offset over £400m of taxable profits in future periods. These losses can generally be carried forward indefinitely.

The corporation tax rate for 2015/16 is expected to be 20.0%.

Earnings per share

The Group reports a basic loss per share on continuing operations for the period ended 4 April 2015 of (12.7 pence), compared to a basic loss per share on continuing operations of (12.8 pence). Earnings/(loss) per share is calculated by dividing the earnings/(loss) attributed to ordinary shareholders of £(92.7)m (31 December 2013: £(46.7)m) by the weighted number of shares in issue during the period. The weighted number of shares in the period reflects the issue of new shares on 24 March 2014 and is adjusted for the relevant bonus factor.

Adjusted earnings per share for continuing operations were 9.0 pence (31 December 2013: 17.0 pence). Adjusted earnings per share on continuing operations has been calculated by dividing the adjusted earnings (defined as Trading profit less net regular interest and notional taxation) attributed to ordinary shareholders of £65.9m (31 December 2013: £62.2m) by the weighted number of ordinary shares in issue during each period. These earnings have been calculated by reflecting tax at a notional rate of 21.4% (31 December 2013: 23.25%). The weighted average number of shares in issue for the period ended 4 April 2015 was 731.4m and for the year ended 31 December 2013 was 366.1m.

Cash flow and borrowings

Company net borrowings as at 4 April 2015 were £584.9m, a decrease of £245.9m since 31 December 2013. The cash inflow from operations to 4 April 2015 was £62.5m (31 December 2013: £123.4m). This included a cash inflow from continuing operations of £70.3m (31 December 2013: £108.7m inflow) and cash outflow from discontinued operations of £(7.8)m (31 December 2013: £14.7m inflow).

Net cash interest paid was £59.1m in the period (31 December 2013: £35.9m) which reflects the timing of the bi-annual payments of the senior secured notes. The purchase of property, plant and equipment was £34.1m in the period; a significant proportion of which was due to the addition of a new cake snack pack slices line at the Group's cake bakery in Barnsley, South Yorkshire.

The Group received £500.0m proceeds from the issue of its senior secured fixed and floating notes and £353.4m gross proceeds from the issue of new equity following the completion of the Capital Refinancing Plan in 2014. These proceeds were used to repay term facilities under the previous financing arrangements of £679.5m. Financing fees and other costs of finance amounted to £58.3m (31 December 2013: £27.5m) which included fees associated with the raising of new equity, issuing senior secured notes, new revolving credit facilities, advisory fees and other fees arising from previous re-financing arrangements.

Retirement benefit schemes

At 4 April 2015, the Company's pension schemes under the IAS 19 accounting valuation showed a gross deficit of £(211.8)m, compared to £(603.3)m at 31 December 2013. The valuation at 4 April 2015 comprised a £241.6m surplus in respect of the RHM scheme and a deficit of £(453.4)m in relation to the Premier Foods schemes.

Further detail on the pension schemes is provided in the Operating review on page 29 and in the notes to the financial statements on pages 115 to 120.

Financial year end date

The Group has changed its financial year end from 31 December to early April. The next Full Year financial statements will be prepared for the 52 weeks ending 2 April 2016. Future financial years will be prepared on a 52 week ending basis and therefore the financial year end date will move by one day every year, or two in the case of a leap year.

Alastair Murray
Chief Financial Officer

18 May 2015

Quarterly Pro forma results for 52 weeks to 4 April 2015

To provide a basis for assessing the Company's results in 2015/16 we have included a full breakdown of our results for the 52 weeks to 4 April 2015 below, on the same basis we will report going forward, namely, 13 week trading updates, a 26 week Half Year and a 52 week Full Year.

	52 weeks to 4 April 2015					
£m	Q1 (13 weeks)	Q2 (13 weeks)	H1 (26 weeks)	Q3 (13 weeks)	Q4 (13 weeks)	FY (52 weeks)
Grocery						
Branded sales	112.4	112.6	225.0	160.1	123.4	508.5
Non-branded sales	11.3	10.3	21.6	11.3	10.3	43.2
Total sales	**123.7**	**122.9**	**246.6**	**171.4**	**133.7**	**551.7**
Divisional contribution	**–**	**–**	**60.1**	**–**	**–**	**145.2**
Sweet Treats						
Branded sales	39.9	41.5	81.4	50.0	43.8	175.2
Non-branded sales	5.4	6.3	11.7	23.4	5.4	40.5
Total sales	**45.3**	**47.8**	**93.1**	**73.4**	**49.2**	**215.7**
Divisional contribution	**–**	**–**	**4.8**	**–**	**–**	**18.0**
Group						
Branded sales	152.3	154.1	306.4	210.1	167.2	683.7
Non-branded sales	16.7	16.6	33.3	34.7	15.7	83.7
Total sales	**169.0**	**170.7**	**339.7**	**244.8**	**182.9**	**767.4**
Divisional contribution	–	–	64.9	–	–	163.2
Group & corporate	–	–	(18.2)	–	–	(32.2)
Trading profit	**–**	**–**	**46.7**	**–**	**–**	**131.0**
EBITDA	–	–	53.4	–	–	144.9

Notes:

1. Divisional contribution, Trading profit and EBITDA will be reported at Half year and Preliminary results only.
2. The term divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
3. Group & corporate costs refer to group and corporate expenses which are not directly attributable to a business unit and will be reported at total Group level.
4. Power Brands and support brands definitions to be removed.
5. New reported segments to be Grocery and Sweet Treats with branded sales, non-branded sales and divisional contribution disclosure.
6. International currently too small for separate disclosure and in line with accounting standards will be aggregated within Grocery.

Pension deficit contribution schedule

The table below (subject to final formal pension trustee approval) shows the phasing of previously agreed deficit contributions in the context of the Company's new financial calendar.

£m	2015/16	2016/17	2017/18	2018/19	2019/20
Deficit contributions	6	48	49	44	44
Administration costs + PPF levy	8–10	8–10	8–10	8–10	8–10
Total cash outflow	**14–16**	**56–58**	**57–59**	**52–54**	**52–54**

Governance

This section sets out our governance framework and the work of the Board and its Committees.

"We are committed to transparency in governance and in maintaining the highest ethical standards in all our business dealings, recognising our position as a leading UK food manufacturer."

David Beever
Chairman

Leadership

We have further strengthened the Board and senior management with a number of key appointments during the financial period and have an excellent team in place with significant experience in the food and retail industry.

Read more on pages 36 and 37

Audit and Risk

Ian Krieger, Audit Committee Chairman, reports on the Committee's activities in the financial period including the significant issues discussed in relation to the financial statements, auditor independence and effectiveness and our risk management process.

Read more on page 45 to 47

Remuneration

Jennifer Laing, Remuneration Committee Chairman, sets out the key Remuneration decisions made during the financial period and arrangements for the coming year. This section also includes a summary of our Remuneration Policy which was approved by shareholders in 2014.

Read more on pages 49 to 61

Chairman's introduction

Dear Shareholder,

This section sets out our governance framework and the work of the Board and its committees. As a Board we are responsible for ensuring there is an effective governance framework in place. This includes setting the Company's strategic objectives, ensuring the right leadership and resources are in place to achieve these objectives, monitoring performance and finally reporting on it to shareholders. An effective governance framework is also designed to ensure accountability, fairness and transparency in the Company's relationships with all of its stakeholders whether customers, suppliers, employees, government or the wider community. We believe that good corporate governance is essential for building a successful and sustainable business.

Key areas of focus during the financial period

2014 was an extremely busy time for the Company and the Board was heavily involved in the review, approval and oversight of the Capital Refinancing Plan and the creation of the Hovis Joint Venture (Hovis JV). The Board spent a considerable amount of time reviewing the strategy for the remaining focused grocery business and approved a new three year business plan. This was the first three year plan during my tenure on the Board and is another indicator of the progress we are making now that the Company's balance sheet issues have been stabilised. Finally, as a consequence of this strategy review a new organisational structure was introduced resulting in a significant change in senior management at below Board level.

Board changes

David Wild retired from the Board in May 2014 and I would like to thank him for his significant contribution to the Board over the last few years, latterly as Senior Independent Director and Remuneration Committee Chairman. In January 2015, I was delighted to announce the appointment of Richard Hodgson as a new non-executive director. Richard is CEO of Pizza Express and has extensive experience in food retailing, gained through senior roles with Asda, Waitrose and Morrisons spanning 16 years.

Charles Miller Smith, who has served on the Board since June 2009, has advised the Board that he will step down as a director on 1 June 2015. On behalf of the Board, I would like to thank him for his enormously constructive contribution to the Company as both a representative of our largest shareholder, Warburg Pincus, and more recently as an independent non-executive director. His vast experience and excellent judgement was critically helpful in creating the right capital structure, strategy and leadership to support the Company's current recovery.

Following these changes there is an appropriate combination of executive and non-executive directors on the Board with at least half the Board (excluding myself) comprising independent non-executive directors. The current non-executive directors bring an extensive and broad ranging mix of experience which is highlighted in their biographies on page 36. The Board considers that all the non-executive directors are independent in character and judgement.

Auditors

As I highlighted last year, as a result of assurance and advisory work undertaken as part of the Capital Refinancing Plan, the level of non-audit fees was higher than the audit fee during the financial period. However, with the completion of the refinancing, no further significant non-audit work is envisaged and we are confident that the fees will reduce significantly going forward.

The Code recommendation that the Audit Committee put the audit contract out to tender at least every 10 years came into force for the financial period ended 4 April 2015. The Audit Committee considered an audit tender in 2013 and it was agreed a formal tender exercise would be deferred until 2015, which represents the 11th year of the current auditor's appointment. The audit tender is now underway and the outcome will be announced later in the year. Further details are set out in the Audit Committee report on pages 45 to 47.

Compliance with the UK Governance Code 2012 (the "Code")

I am pleased to confirm that, with the exception of auditor rotation outlined above, over the course of the financial period we complied with all the provisions of the Code.

AGM

Our AGM this year will be held at the offices of Wragge Lawrence Graham & Co LLP, 4 More London Riverside, London, SE1 2AU on 23 July 2015 at 11.00 am and I look forward to seeing you then.

David Beever
Chairman

18 May 2015

Board of directors

Gavin Darby
Chief Executive Officer

Appointed to the Board: February 2013

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

Alastair Murray
Chief Financial Officer

Appointed to the Board: September 2013

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

David Beever N R
Chairman

Appointed to the Board: January 2008 and appointed Chairman in June 2012.

Skills and experience: After qualifying as a Chartered Engineer, David has spent most of his career in the financial sector. He was a Vice-Chairman of S. G. Warburg where he handled many corporate finance transactions for major UK and international companies. He was later a board member of KPMG and Chairman of Corporate Finance and has been Chairman of several major companies.

Richard Hodgson A N
Non-executive director

Appointed to the Board: January 2015

Skills and experience: Richard has been Chief Executive Officer of Pizza Express since 2013 and has over 20 years of experience in the food industry. 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.

Ian Krieger A R N
Senior Independent director

Appointed to the Board: November 2012.

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

Charles Miller Smith N
Non-executive director

Appointed to the Board: June 2009.

Skills and experience: Charles was an International Adviser at Goldman Sachs International from 2001 until 2005. Charles worked with Unilever plc for over 30 years, the last five years of which he served as a Director of Finance and then Foods. Charles was Chief Executive Officer and then Chairman at ICI plc from 1994 to 2001. He has served as non-executive director of Midland Bank and HSBC Holdings PLC and served as Chairman of Scottish Power plc between 2000 and 2007. Charles is also Chairman of Firstsource UK Ltd and Edge Investment Management Limited and is a director of Firstsource Solutions Ltd.

Jennifer Laing R N A
Non-executive director

Appointed to the Board: October 2012.

Skills and experience: Jennifer has over 30 years' experience in brand building and communications including 16 years with Saatchi & Saatchi, twice as Chairman of the London office, and culminating in her role as Chairman and CEO of Saatchi & Saatchi North America. In the early 1990s she led her own advertising agency, Laing Henry, which was subsequently sold to Saatchi & Saatchi. Jennifer is currently a non-executive director of InterContinental Hotels Group plc where she chairs the Corporate Responsibility Committee.

Pam Powell A R N
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.

Committee Membership

A – Audit Committee
R – Remuneration Committee
N – Nomination Committee

A R N denotes Committee Chair

Senior management

Peter Ellis
General Manager, International

Skills and experience: Peter joined the Company in 2012 and was appointed General Manager, International in September 2014. Prior to joining the Company Peter spent 16 years at Campbell Soup Company where he held a number of senior international roles including Managing Director, Central, Eastern Europe, Middle East & Africa and General Manager, Russia & Eastern Europe.

Key responsibilities: Peter is responsible for building the Company's International business around the globe.

Mark Hughes
Procurement & Central Operations Director

Skills and experience: Mark joined the Company in 2007 as Group Procurement Director following the acquisition of RHM. Mark joined RHM in 2003 as Divisional Services Director (Bread Bakeries) and became Group Procurement and Logistics Director and a member of the Group Executive of RHM in 2006.

Key responsibilities: Mark's key responsibilities are the control and risk management of around £550m of spend on ingredients, packaging, energy, machinery, facilities, engineering, marketing and all corporate spend. Mark's operational responsibilities also include Food Quality, Health & Safety and Environment.

Graham Hunter
Managing Director, Sweet Treats

Skills and experience: Graham joined the Company in September 2014 as Managing Director of the Sweet Treats Strategic Business Unit. Graham has extensive experience of the sweet treats market spanning more than 20 years. Most recently he was CEO of Tangerine Confectionery. He also spent a number of years as Managing Director of Fox's Biscuits and Divisional Managing Director of Northern Foods. Earlier in his career Graham was Marketing Director for Jacobs Bakery and he additionally spent 10 years at Mars Confectionery.

Key responsibilities: Graham's role is to lead the development of our cake portfolio with responsibility for directing innovation, marketing, sales, manufacturing and logistics resources.

Richard Johnson
Corporate Affairs Director

Skills and experience: Richard joined the Company in October 2011 as Corporate Affairs Director. Previously, Richard spent a total of 18 years with Kraft Foods (now Mondelez International) during which time he held senior corporate affairs roles across a number of businesses and geographies, including the UK, Belgium and the US. Most recently he was Corporate Affairs Director for Kraft Foods' European business based at the company's headquarters in Switzerland.

Key responsibilities: Richard's key responsibilities are leading the Company's internal and external communications, media relations, public affairs, responsibility and community relations activities.

Andrew McDonald
Corporate Development & Legal Director

Skills and experience: Andrew joined the Company in November 2011 as General Counsel & Company Secretary. Prior to this he held the same position at Uniq plc, before its acquisition by the Greencore Group. Andrew is a qualified solicitor and worked as a corporate lawyer at Freshfields Bruckhaus Deringer before moving into industry.

Key responsibilities: Andrew has responsibility for the legal and risk compliance functions and for corporate development and strategic projects. He also sits on the plc Board as Company Secretary.

Mark Vickery
Information Systems & Change Director

Skills and experience: Mark joined the Company in early 2005 as Director of Information Systems & Change Management (ISC). Mark started his career at Unilever plc where he spent 17 years working in a number of businesses and geographies. He then moved to United Biscuits as IS Director prior to joining Premier Foods.

Key responsibilities: Mark's key responsibilities include managing the Information Services function and delivering major system and change programmes into the business.

Alex Whitehouse
Managing Director, Grocery

Skills and experience: Alex joined the Company in July 2014 and was appointed Managing Director of the Grocery Strategic Business Unit in September 2014. Alex has more than 20 years senior international, marketing, sales, strategy, innovation and general management experience gained across multiple geographies. He spent the last 18 years with Reckitt Benckiser plc where he held senior marketing and general management roles including Managing Director, New Zealand and most recently Worldwide Head of Shopper & Customer Marketing.

Key responsibilities: Alex is responsible for leading the Grocery business which encompasses our Flavourings & seasonings, Cooking sauces & accompaniments, Light meals & soups, Ambient desserts and Homebaking categories.

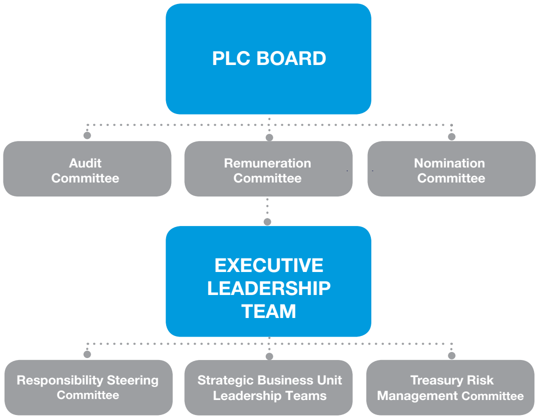
David Wilkinson
Human Resources Director

Skills and experience: David was appointed Human Resources Director in July 2014. He joined Premier Foods in 2007 as Head of Group HR, with responsibility for the corporate and group functions, as well as Resourcing and HR Administration. In December 2011 David was appointed Director of HR Support, and in January 2013 he became HR Director of the Hovis Bread and Milling division, with responsibility for 5,000 employees across 22 sites.

Key responsibilities: David's responsibilities cover all aspects of HR, with specific emphasis on developing talent and capability, resourcing and reward, as well as overall leadership of the Human Resources function.

Corporate governance

Board structure



Division of governance responsibilities:

The Board

The Board's role is to provide leadership of the Company and is accountable to shareholders for the long-term success of the business. There is a schedule of matters reserved for the Board which includes:

- Setting long-term strategic objectives;
- Approving annual operating and capital budgets;
- Reviewing business performance;
- Overseeing the Company's internal control systems; and
- Ensuring appropriate resources are in place to enable the Company to meet its objectives.

The Chairman

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness:

- Chairing Board meetings; setting the agendas in consultation with the CEO and Company Secretary; and encouraging directors' active participation in Board discussions;
- Leading the performance evaluation of the Board, its committees and individual directors;
- Promoting the highest standards of corporate governance including compliance with the Code provisions wherever possible;
- Ensuring timely and accurate distribution of information to the directors and effective communication with shareholders; and
- Establishing an effective working relationship with the CEO by providing support and advice whilst respecting executive responsibility.

The Chief Executive Officer (CEO)

The CEO is responsible for the executive management of the Company and ensuring the implementation of Board strategy and policy within the approved budgets and timescales. The CEO is assisted in meeting his responsibilities by the CFO and the Executive Leadership Team (who head up the Company's principal operations and functions).

The Senior Independent Director (SID)

The SID is responsible for supporting the Chairman and leading the non-executive directors in the oversight of the Chairman and CEO. The SID is available to shareholders if they have concerns which the normal channels have failed to resolve or where such contact is inappropriate.

Committees

The Board has three committees which assist in the discharge of its responsibilities.

Their terms of reference are available on the Company's website.

Details of the work of the Audit, Nomination and Remuneration Committees are set out on pages 45 to 61.

The Board delegates day-to-day responsibility for managing the business to the Executive Leadership Team and its sub-committees. Together these form part of the Company's corporate governance framework, but are not formally appointed committees of the Board.

Executive Leadership Team (ELT) — Responsible, under the leadership of the CEO, for the day-to-day management of the business, setting performance targets and implementing the Company's strategy and direction. The ELT is also responsible for the effective implementation of policies taking into account changes in regulations and other business risks. The ELT drives effective risk management throughout the business and makes recommendations to the Audit Committee as appropriate; monitoring and reporting on all material business risks which might impact the delivery of the Company's strategic goals and objectives and agreeing with management appropriate mitigating actions.

Read more on managing our risks on pages 22 to 25.

Strategic Business Unit (SBU) Leadership Teams — In September 2014 a new SBU organisational structure was established. Our organisation is now arranged into three SBUs: Grocery, Sweet Treats and International. Each SBU has its own leadership team with full accountability for directing innovation, marketing, sales and logistics. In addition, Grocery and Sweet Treats have additional responsibility for manufacturing. The new structure encourages more agile ways of working and is closely aligned to how our retail customers do business.

Responsibility Steering Committee — Responsible for providing direction to, and oversight of, the implementation of the Company's sustainability programme which is built around three core themes, these being: sustainable supply chain, health & nutrition and skills for young people. The Committee's objective is to identify and mitigate both environmental and social risks in order to protect and enhance the Company's reputation and build trust amongst its many stakeholders. The Responsibility Steering Committee is chaired by our CEO and is made up of members from the ELT and senior management.

Treasury Risk Management Committee — Responsible for the oversight of designated material foreign currency and commodity exposures and agreeing with senior management appropriate mitigating actions. Members of the Committee include members of the ELT and senior management.

Diversity

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. Diversity will continue to be an important consideration whenever a new appointment is undertaken to ensure that the Board comprises individuals with a broad range of skills, backgrounds and experience reflecting both the type of industry and the geographical location in which we operate.

The Board believes in the importance of diversity and the benefits that it can bring to the operation of an effective business and is committed to increasing the participation of women across all levels of the organisation and particularly within senior management. We are committed to equal opportunities in all areas of our business, with people gaining promotion on merit. We recruit, train, promote and retain skilled and motivated people irrespective of gender, age, marital status, disability, sexual orientation, race, religion, ethnic or national origin. In line with this commitment we also promote a culture of openness and responsibility within our business. Details of our gender diversity across the Board of directors, senior management, central functions and the Company as a whole as at 4 April 2015 are set out in the adjacent table. The percentage of women employed across the whole Company increased from 23% to 37% reflecting the impact of the Hovis JV.

PLC Board	
2015	25%
2013	25%
2012	11%
Senior management	
2015	25%
2013	19%
2012	24%
Central functions	
2015	46%
2013	45%
2012	45%
All employees	
2015	37%
2013	23%
2012	23%

Corporate governance

Board and committee meetings

The Board held fifteen scheduled Board meetings during the financial period and a number of other meetings and conference calls were convened for specific business. In addition there were four Audit, ten Remuneration and two Nominate committee meetings in the financial period. All directors are expected to attend the AGM, scheduled Board meetings and relevant committee meetings, unless they are prevented from doing so by prior work or personal commitments. Where a director is unable to attend a meeting they have the opportunity to review relevant papers and discuss any issues with the Chairman in advance of the meeting. Following the meeting the Chairman, or committee Chairman as appropriate, also briefs any director not present to update them on the key discussions and decisions taken.

Details of Board and committee membership and attendance at scheduled Board and committee meetings are set out in the table below. This indicates the number of meetings attended versus the number of meetings held during the period they were members of the Board or committee. Ian Krieger and Pam Powell both missed one Board meeting during the financial period due to other business commitments. Richard Hodgson was appointed as a non-executive director on 6 January 2015; no Nomination Committee meetings were held during the period from his appointment to the end of the financial period. All directors attended the 2014 AGM. Non-executive directors are regularly invited to attend meetings of committees that they are not a formal member of.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Gavin Darby	15/15	–	–	–
Alastair Murray	15/15	–	–	–
Non-executive Directors				
David Beever[1]	15/15	–	10/10	2/2
Richard Hodgson	3/3	1/1	–	n/a
Ian Krieger[1]	14/15	4/4	10/10	2/2
Jennifer Laing[1]	15/15	4/4	10/10	2/2
Charles Miller Smith	15/15	–	–	2/2
Pam Powell	14/15	4/4	10/10	2/2
Former Directors				
David Wild	6/6	1/1	3/3	1/1

1. David Beever is Chairman of the Nomination Committee, Ian Krieger is Chairman of the Audit Committee and Jennifer Laing is Chairman of the Remuneration Committee.

Non-executive director meetings

The Chairman is responsible for ensuring that non-executive directors have opportunities to meet without the presence of management. Over the course of the financial period the non-executive directors met independently on a number of occasions after Board meetings and also over Board dinners. Topics discussed included key strategic issues and succession planning.

Appointment of additional directors

The Board has the power to appoint one or more additional directors. Under the Articles any such director shall hold office until the next AGM when they shall be eligible for election. A director may be appointed by an ordinary resolution of shareholders and removed by an ordinary resolution with special notice.

Conflicts of interest

The Company 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 Company's annual formal review of potential conflict situations which includes the use of a questionnaire.

Under the terms of the Relationship Agreement between the Company and Warburg Pincus (the Relationship Agreement), Charles Miller Smith, then a senior adviser to Warburg Pincus, was appointed to the Board. Under the agreement, Warburg Pincus was able to nominate an individual for appointment to the Board. The Relationship Agreement terminated following completion of the Capital Refinancing Plan in April 2014 and Charles Miller Smith ceased to be a nominee of Warburg Pincus. The Board asked him to remain as a non-executive director, independent of Warburg Pincus, on account of his beneficial knowledge and experience. Charles Miller Smith has advised the Board that he will step down as a director on 1 June 2015.

During the year 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.

Director induction programme

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 Company's business and they may request further information as they consider necessary. A typical non-executive director induction would include:

Provision of documents: duties of a director, Board procedures and provision of an ICSA compliant governance manual.

Meetings with the CEO & CFO and non-executive directors: business overview, current trading, key commercial issues.

Meeting with the Corporate Development & Legal Director: Board process and governance issues/updates, key legal, risk and internal audit matters.

Meetings with the Executive and SBU Leadership Teams: commercial issues and projects as applicable for innovation, marketing, sales, supply chain, corporate affairs, investor relations, HR, technology and ISC.

Site visits: Understanding of the business and its operations.

Board support and information

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.

The main source of information is via the Board pack provided to directors in advance of Board meetings. These cover the following standing items which are designed to keep directors up-to-date with all material business developments:

- CEO introduction;
- H&S and employee issues;
- SBU Commercial updates;
- Customer service levels;
- Restructuring projects;
- Capital expenditure;
- CFO report; and
- Investor Relations.

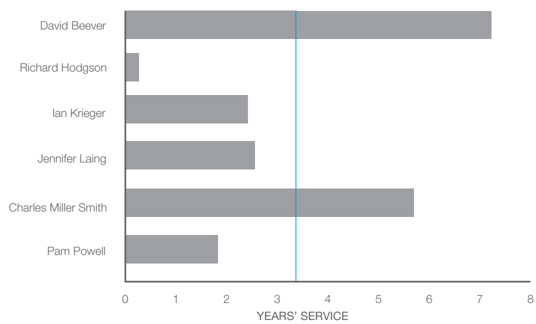
The Board receives a detailed investor relations update at each Board meeting which covers (amongst other things) share price movements, shareholder register movements, analyst reports, a summary of investor meetings and other recent activity. The Board also receives comprehensive feedback from the Company's brokers, following investor roadshows after the half year and year-end results.

A detailed strategy review took place during June and July 2014 as part of the introduction of a new three year plan. In addition, there was a comprehensive review of brand, commercial and supply chain plans as part of the approval of the 2015/16 business plan in February and March 2015. Non-executive directors also received tailored training sessions on key pension and remuneration related matters and attended the management conference in September 2014 where the Company's new purpose and values was launched.

Boardroom tenure

The Board believes it is important to maintain an appropriate balance between length of service, independent judgement and an appropriate level of experience and skill. The Board, via the Nomination Committee, regularly undertakes a review of succession plans for both executive and non-executive directors with consideration of the need to refresh Board and committee membership with diversity in mind. The length of service of the current non-executive directors is shown in the graph below against the average length of service (blue line), which currently stands at 3.3 years.

Number of years' service as at 4 April 2015



Details of the annual review of non-executive directors' effectiveness are set out in the Nomination Committee report on page 48.

Corporate governance

Board and committee evaluation

In 2013 Springboard Associates Limited were appointed to conduct an external Board and committee evaluation and the process, findings and resulting action plan were reported in the 2013 Annual Report. For the financial period the evaluation for the Board and its committees was conducted by way of an internal questionnaire.

Details of progress against the 2013 action plan and recommendations from the current year's review and actions for the next 12 months are set out in the following tables:

2013 Board evaluation action plan update

Development area	Work completed over the financial period
Strategy, purpose and values It was noted that with the completion of the Capital Refinancing Plan and creation of the Hovis Joint Venture it was appropriate to review the strategy, purpose and values for the business.	Detailed work on the medium-term strategy for the business was developed by management, working with a firm of external consultants, and this was reviewed with the Board in June and July 2014 as part of the approval of a three year plan for the Company. This resulted in the introduction of a new SBU structure and the launch of the new purpose and values for the Company in September 2014.
Succession The Board noted the importance for continued focus on succession plans for CEO, CFO and senior management.	Management succession and organisational capabilities have been reviewed in detail by the Board during the financial period and three new ELT members were appointed. The reorganisation of the business into three SBUs with enhanced capability and resource (including the appointment of two high calibre Managing Directors) has also helped to facilitate contingency/succession planning.
Remuneration, retention and development It was recommended that the Board review the process for identifying high performers and managing their careers.	A new Human Resources Director was appointed in 2014. There has been a significant investment in the development of an effective People strategy with increased focus on Talent & Succession and Learning & Development. A comprehensive review of remuneration arrangements was undertaken in 2014 which resulted in the launch of a new annual bonus scheme in April 2015 for management below Board level designed to drive performance and shareholder return.
Training and development Review training and development needs for non-executive directors and arrange for appropriate training to be provided.	Training sessions have been held during the financial period with non-executive directors to review remuneration and pension arrangements. Individual training and development needs have also been reviewed with each non-executive as part of the Chairman's review of Board effectiveness.
Director appraisals Following the recent changes in Board composition the annual appraisal process for directors required review and formalisation.	A revised process for annual Board effectiveness reviews has been developed and formalised for the financial period. This includes a one-to-one review of each non-executive's performance by the Chairman and a separate review of the Chairman led by the Senior Independent Director.
Commercial More emphasis to be given to external environment and competitors.	Competitor and market updates were enhanced as part of commercial update papers. In addition, a comprehensive programme of product tasting and NPD review has been introduced at Board meetings over the course of the financial period.

2014/15 Board evaluation action plan

Development area	Planned activity for 2015/16
Strategy Review of financial/corporate strategy.	An update on strategy will take place as part of the review of the three year plan in 2015.
Performance Post investment reviews.	Management will continue to provide post investment reviews for major capital projects. An interim update for the major investment in the new snack pack line at Carlton will be presented to the Board in September 2015.
Risk Management Need for better understanding of the risk appetite of the business and also for regular updates on significant risks.	A formal review of the risk appetite of the business was undertaken by the Audit Committee in May 2015. Risk identification and mitigation continues to be an area of management focus and will be reviewed on a biannual basis with the Board. For more information on the Company's risk appetite go to page 23.
Board process Review frequency of meetings.	The number of meetings and meeting format will be reviewed and presented to the Board.
Succession Review plans to ensure orderly succession of both executive and non-executive directors.	The succession process is to be reviewed as part of annual talent and succession review in 2015.

Assessment of Chairman's performance

Recognising the importance of the role of the Chairman in the overall governance of the Company, as part of our annual Board evaluation process, Ian Krieger, the Senior Independent Director, led a review of the Chairman's performance over 2014. A meeting was held in January 2015 with the other non-executive directors, without the Chairman being present. The review focused on the relationship between the Chairman and the CEO, the overall leadership of the Board, the conduct of Board meetings and the quality of debate. In addition, the Chairman's relationship with major shareholders and his understanding of their priorities was discussed.

A summary of the key findings was discussed at a subsequent meeting between the Senior Independent Director and the Chairman. The review concluded that David Beever continued to perform an effective role as Chairman and it was also confirmed that the Chairman had no other significant external commitments and was able to dedicate sufficient time to the role. As a consequence the Nomination Committee has proposed his re-election at the 2015 AGM.

Stakeholder relations

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 Company.

The Board believes it is very important to engage with its shareholders. The main channel of communication to institutional investors is through the CEO, CFO and Head of Investor Relations via presentations, conference calls, investor roadshows, broker organised conferences, face-to-face meetings and the AGM.

Following the announcement of the Company's half year and preliminary results, presentations are made to analysts, major shareholders, bond holders and banks to update them on the progress the Company has made towards its goals and invite them to ask questions. Conference calls are also held following quarterly trading updates.

Currently around six sell-side research analysts publish research on the Company.

Full details on results presentations, RIS releases, interim management statements and conference calls are available on the Company's website.

The Chairman and Senior Independent Director are also available to speak with major shareholders and brief the Board to ensure that they are aware of the views of shareholders.

Bond holders
Bond holders are invited to meet with management following the release of results announcements and management attend bond conferences twice a year.

Pensions
The Company has established a Pensions Liaison Forum which meets regularly throughout the year. This is attended by the CFO, Pension Manager and the Chairmen of the Company's pension schemes. The CEO attends alternate Forum meetings. The Forum discusses and develops funding and investment strategies for the Company's pension schemes and considers any other pension issues that might impact the schemes and/or the Company.

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

Suppliers
The Company holds a supplier conference on an annual basis which is attended by executive directors and members of the ELT. This is an opportunity to update suppliers on the Company's strategy and growth plans.

For more information on supplier partnerships see page 17.

Responsibility
We work with a number of government departments, non-ministerial government departments (such as the Food Standards Agency) and other regulatory agencies as well as trade associations and other organisations (such as the Food and Drink Federation and the Institute for Grocery Distribution). We engage with these bodies in order to identify and understand key issues facing the food industry and listen to their opinions and guidance — all of which helps to inform our internal policy making.

For more information on responsibility and sustainability see pages 18 and 19.

Employees and our approach to business ethics
We are committed to ensuring that the people who work within our business are treated with respect, and their health, safety and basic human rights are protected and promoted.

We have a code of conduct which sets out the standards of behaviour all employees are expected to follow and provides useful guidance to help employees when it comes to making the right decision. This 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 all employees to raise any concerns they have that cannot be dealt with through the normal channels.

For more information on our code of conduct visit **www.premierfoods.co.uk**

We believe that we have a responsibility to act and trade ethically in our dealings throughout the supply chain. In order to identify and focus on the ethical issues that are material to our business we have established an Ethical Supply Chain Working Group. This group develops, and implements, a risk based ethical supply chain strategy which meets the needs of our business whilst ensuring that bought goods are produced under generally accepted, and internationally recognised, human rights law including the conventions of the International Labour Organisation.

We have set a target that all our direct suppliers must be registered with the Supplier Ethical Data Exchange (SEDEX) and at the end of 2014 nearly 80% of our suppliers were SEDEX registered. SEDEX is a not-for-profit organisation dedicated to driving improvements in ethical and responsible business practice in global supply chains through the sharing of ethical supply chain data. In addition, we have put in place an Ethical Trading Policy and each supplier we work with must strive to comply with this and with all relevant local and national laws and regulations, particularly with regard to: minimum age of employment; health & safety; freedom of association; discrimination; working hours; and rates of pay.

Employment of disabled persons
It is our policy to give full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities, and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment. The Company provides the same opportunities for training, career development and promotion for disabled people as for other employees.

Employee communication
We recognise the value of good communication in engaging our colleagues in order to achieve common goals and we have a number of established communication mechanisms in place to achieve this objective. During the financial period we've increasingly focused on leveraging our systems and technology to deliver digital communications with colleagues, under Project Best Connected. This has so far resulted in a new intranet site, weekly news email and monthly online newsletter, all issued under 'What's Cooking?' branding to emphasise our passion for food when we communicate. In addition, we have enabled our operating sites for Google video conferencing and all now join in with a monthly team briefing presented by the CEO and other ELT members. The next stage in this process is bringing Google accounts to all colleagues, no matter what their job role, throughout 2015. Where appropriate, specific consultation and involvement regarding major changes to the business is undertaken, examples during the period being the creation of our new purpose and values and the choice of our corporate charity partner. In 2013 we conducted our first all-colleague survey receiving a 78% response rate and we'll repeat the survey to judge progress in May 2015.

Audit Committee report

Dear Shareholder,

On behalf of your Board, I am pleased to present the Audit Committee Report for the financial period ended 4 April 2015. The Committee has responsibility, on behalf of the Board, for reviewing the effectiveness of the Company'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 auditors, 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 auditors on one occasion in the year without the presence of management. The table on page 40 sets out Committee membership and meeting attendance.

I was appointed as Audit Committee Chairman in April 2013 following my retirement as a senior partner of Deloitte in 2012. In addition to the Committee members, the following individuals are regularly invited to the Committee's meetings: the CEO, CFO, Director of Internal Audit and Risk and external audit lead partner. The Company Secretary also attends in his capacity as secretary of the Committee.

The Committee has been delegated authority by the Board to:

- Monitor financial reporting including the annual and interim reports, preliminary results announcements and formal announcements relating to financial performance and reporting;
- Ensure the effectiveness of the Company's internal controls and risk management systems;
- Review and monitor the whistleblowing, bribery and fraud arrangements;
- Monitor and review the effectiveness of the Company's internal audit function;
- Consider and make recommendations to the Board on the appointment, reappointment and removal of external auditors;
- Review the external auditors' independence and objectivity and the effectiveness of the external audit processes; and
- Prepare this report to shareholders to include any significant issues in relation to the financial statements and how these were addressed.

The Committee's terms of reference are available on the Company's website.

> *In line with good governance we are undertaking a formal tender exercise for the external auditors which will be concluded later this year."*
>
> **Ian Krieger**
> Audit Committee Chairman

Audit tender

PricewaterhouseCoopers LLP (PwC) have been the Company's auditors since flotation in 2004 and this annual report is the 11th set of financial statements they have signed. The external auditors are required to rotate the audit partner responsible for the Company and subsidiary audits every five years and a new lead audit partner was appointed in 2012. The UK Corporate Governance Code 2012 recommends that FTSE 350 companies should tender their external audit contract at least every 10 years.

The Audit Committee reviewed auditor rotation following the approval of the 2013 year end results and concluded that given the significant level of change taking place in respect of business disposals, the refinancing of the Company, changes in key management personnel and the change in year end it was not appropriate to undertake a tender during 2014. In December 2014 we reviewed the issue again and it was agreed that a formal tender exercise be undertaken following the completion of the audit for the financial period ended 4 April 2015. Following a review of potential candidates, shortlisted firms will be invited to participate in the tender later in the year. There are no contractual obligations restricting the Committee's choice of auditor. In the mean time, PwC will be recommended for reappointment as auditors at the AGM on 23 July 2015. The outcome of the tender exercise will be announced later in the year.

External audit effectiveness

Annually the Committee reviews the relationship the Company has with the external auditors. The review in the financial period was conducted by a questionnaire completed by the Committee and key management following the 2013 year end audit. This covered the scope of the audit work, the audit process, fees and auditor independence. The review concluded that the Committee was satisfied with the effectiveness of the external auditors. A number of areas for review were identified including the timing of certain aspects of audit work and improving communication flow between management, internal audit and the audit teams to improve efficiency. An action plan was prepared and reviewed with PwC and incorporated into their 2014/15 year end audit plan.

Audit Committee report

Auditor independence and non-audit services

There is an established policy governing auditor independence and the engagement of the external auditors for non-audit services designed to maintain the independence and objectivity of the external auditors.

The policy was reviewed and updated in 2013 and the key terms of the policy are available on the Company's website.

Over the last few years the Company has undergone a very significant transformation as management have implemented the turnaround of the business. As a result PwC have been engaged to perform a number of non-audit services which included due diligence work in respect of the Hovis Joint Venture and the working capital report in respect of the Capital Refinancing Plan in Q1 2014. Non-audit fees for the financial period were £567,500 (2013: £411,000) representing approximately 133% (2013: 71%) of the annual audit fee. Of this, £505,000 related to the Capital Refinancing Plan.

The Committee regularly reviewed the level of non-audit fees with management throughout the year. The Committee also received an update from the external auditors' lead partner on the internal controls to safeguard their independence. Additional safeguards to the independence of the auditors are given by the fact that the additional work included teams unconnected with the audit that were headed by different partners and the work did not involve any management judgements. In addition, both the Audit Committee Chairman and the CFO were appointed to their roles in 2013.

The Committee is aware of, and sensitive to, investor body guidelines on non-audit fees. However, given the nature of work required in connection with the business turnaround it was assessed that PwC were best placed to perform these additional services in view of their knowledge of the business, the time constraints in completing the work and the likely cost. Following the completion of the Capital Refinancing Plan in April 2014 no significant further non-audit work has been undertaken or is currently planned. As noted above, a formal Audit tender exercise will be undertaken in 2015.

What we did during the financial period

During the financial period the Committee discussed the following:

- Considered a number of key accounting matters as discussed further below;
- 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 review of the effectiveness of the internal control system;
- Reviewed the non-audit services spend and approved the engagement of PwC as an adviser in relation to the Capital Refinancing Plan and the Hovis Joint Venture;
- Received a review from the Company's external auditors which included a review of their objectivity and the effectiveness of the audit process; and
- Considered the external auditors' report for the financial period and recommended the reappointment of the external auditors.

Risk management

Details of our risk management process are set out in the risk management section on pages 22 to 25. Details of financial risks: market risk; credit risk and liquidity risk are set out in note 22 on pages 106 to 114.

Internal controls

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

Internal Audit effectiveness

The effectiveness of the Company's internal audit function is reviewed on an annual basis. The review was conducted with the Committee and the Executive Leadership Team and covered the function's independence, resource, the scope of the annual audit plan, the reports issued and the identification of issues. In addition, feedback from post completion questionnaires for internal audits undertaken during the period were also reviewed. The Committee concluded that the internal audit function remained effective.

Fair, balanced and understandable

As part of an update to the Audit Committee's terms of reference, the Board requested that the Audit Committee confirm whether the annual report and accounts taken as a whole was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Audit Committee recommended that the Board make this statement which is set out on page 63.

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, verification of the factual contents, a review of 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

In addition to the items outlined above, the Committee has also considered the following significant issues in relation to the financial statements with management and the internal and external auditors during the financial period:

Defined benefit pension plans

The Company operates a number of defined benefit schemes. The schemes are closed to future accrual but hold substantial assets and liabilities. Valuation of the scheme is based on a number of assumptions such as inflation, discount rates and mortality, each of which could have a material impact of the calculation under IAS19 included in the balance sheet. The Committee reviewed the basis for management's assumptions and the movements in the IAS19 valuation in detail over the financial period. Further information is set out in note 24 on pages 115 to 120.

Goodwill and intangible assets

Goodwill represents a significant item in the balance sheet and the value of goodwill is reviewed annually by management and the Committee. The impairment testing for goodwill is based on a number of key assumptions which relies on management judgement.

Following the introduction of the new organisation structure in the period the Company is now organised into two cash generating units (CGUs) - Grocery and Sweet Treats. The Committee reviewed the allocation of goodwill between the Grocery and Sweet Treats CGUs, the results of the impairment testing for the two CGUs and managements assumptions in respect of cash flows, long term growth rates and discount rates. The Committee also considered sensitivities to changes in assumptions and related disclosure as required by IAS36. The review concluded that there was sufficient headroom in the Grocery CGU and that each key assumption would need to move by a significant degree before an impairment would be required. The review also concluded that an impairment of £67.9m was required for the Sweet Treats CGU. Further information is set out in note 13 on pages 100 and 101.

Revenue and income recognition

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 are complex and require management assumptions and estimates. Over the financial year 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, internal audit findings and, where appropriate, any management actions. Further information is set out in note 2.3 on page 82.

Deferred tax asset

Deferred tax represents a significant item in the balance sheet and involves a high degree of management judgement. The Committee reviewed the overall quantum of the deferred tax asset and the management assumptions in respect of forecast future taxable profits that support the recognition of the asset. Further information is set out in note 8 on pages 92 to 94.

Going concern

The Committee reviewed the ability of the Company to continue as a going concern following the completion of the Capital Refinancing Plan in April 2014. This focused on covenant headroom and liquidity based on the actual results for the financial period and the budget for 2015/16, together with appropriate sensitivity analysis. Following the review the Committee was able to recommend that the Board continue to adopt the going concern basis in preparing the financial statements. Further information is set out in note 2.1 on page 81.

Disposals

During the financial period the Company disposed of the majority share in its Hovis Bread business and Powdered beverages and desserts business. The Committee reviewed the carrying value on the balance sheet, share of profit in the period and disposal accounting. Further information is set out in note 11 on page 98.

The report of those matters that the external auditors considered to be areas of focus in relation to the financial statements is set out on pages 67 to 72.

Ian Krieger
Audit Committee Chairman

18 May 2015

Nomination Committee report

Dear Shareholder,

On behalf of your Board, I am pleased to present the Nomination Committee Report for the financial period ended 4 April 2015. The Committee is responsible for considering the size, structure and composition of the Board, the retirement and appointment of additional directors, and making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board. The Committee reviews the succession requirements of the Board and senior management (including the need for diversity) on an annual basis and makes recommendations to the Board as appropriate. The table on page 40 sets out Committee membership and meeting attendance.

> *In 2015 we strengthened the Board with the appointment of Richard Hodgson as a non-executive director. Richard's extensive food retail experience will be invaluable in helping the Company to navigate today's rapidly changing marketplace."*
>
> **David Beever**
> Nomination Committee Chairman

Role of the Nomination Committee

The Committee has been delegated authority by the Board to:

- Lead the formal, rigorous and transparent process for Board appointments including a review of the skills, experience and knowledge of the existing directors to ensure any potential shortlisted candidates will benefit the balance of the Board;
- Give full consideration to succession planning taking into account the challenges and opportunities facing the Company and what skills and expertise would benefit the Board in the future;
- Regularly review the structure, size and composition (including independence, experience and diversity) of the Board and make recommendations to the Board regarding changes; and
- Agree the job specification for the Chairman, including an assessment of the time commitment expected, recognising the need for availability in the event of a crisis.

The Committee's terms of reference are available on the Company's website.

Key Nomination Committee discussions

Following the completion of the Company's refinancing and the creation of the Hovis Joint Venture there was a major review of strategy and a three year plan for the business was approved by the Board in July 2014. As part of this review a new organisational structure was agreed based on three Strategic Business Units and as a consequence there were a number of changes in senior management to support and lead this new structure. Alex Whitehouse was appointed as Managing Director, Grocery and Graham Hunter as Managing Director, Sweet Treats. We were delighted to be able to appoint two new senior leaders with such significant food retailing experience and believe they will be pivotal in delivering our strategy over the medium term. In addition, David Wilkinson was appointed as HR Director and has begun a significant investment in our people with a particular focus on Learning & Development and in developing a more entrepreneurial performance culture within the business.

During the year the Committee also reviewed the balance of skills and experience on the Board and it was agreed that there was a need to strengthen our customer retail experience. Saxonbury Limited (who have no other connection with the Company) were engaged as an external search agent and the Committee prepared a job description for the appointment of a new non-executive director. Members of the Committee interviewed a shortlist of candidates produced by Saxonbury Limited and in January 2015 Richard Hodgson was appointed to the Board. Richard brings with him a wealth of experience from a number of our major customers and has had an immediate and effective impact at our Board discussions.

Review of non-executive director performance

Over the course of March and April 2015 I held one-to-one meetings with each of the non-executive directors to review their performance and contribution to the Board. This covered attendance, preparation for and contribution at meetings, their knowledge and understanding of the business and any training and development requirements. Following this review it was concluded that each non-executive director continued to make an effective contribution to the Board and consequently the Committee has proposed their re-election at the 2015 AGM. As referred to earlier Charles Miller Smith, who has served on the Board since June 2009, will not be standing for re-election at the AGM.

David Beever
Nomination Committee Chairman

18 May 2015

Directors’ Remuneration report

Committee Chairman’s Letter

Dear Shareholder,

On behalf of your Board, I am pleased to present the Directors’ Remuneration report for the financial period ended 4 April 2015, my first since being appointed Chairman of the Remuneration Committee in May 2014. Our Directors’ Remuneration Policy was approved at the AGM held on 29 April 2014 and took effect from that date. The policy received approval from 99.05% of votes cast at the meeting and I would like to thank shareholders for their support for the Company.

The Committee’s overall remuneration strategy remains broadly unchanged and recognises the complexity of the business, the challenges it faces and the need for executive directors with significant experience to deliver the business turnaround. Our focus is on rewarding performance — the majority of executive remuneration (approximately 70% at maximum) is variable and only payable if demanding performance targets are met. These performance targets are firmly linked to our strategy and ultimately aligned with shareholders’ interests in delivering earnings growth and improved shareholder value in the medium term.

Overview of the financial period

In 2014 the Company changed its year end from the calendar year to 31 December to the Saturday closest to 31 March. As a result the period under review was extended from 31 December 2014 to 4 April 2015. The figures in the Annual Report on Remuneration cover the 15 month period to 4 April 2015 versus a 12 month comparative for the year ended 31 December 2013. The Committee carefully considered the impact of the change in year end on executive remuneration and appropriate arrangements were put in place to deal with the additional quarter.

Over the course of the financial period we have introduced new arrangements for employees and management at below Board level, recognising the importance all employees play in the delivery of our turnaround strategy. This included the launch of a new all employee Share Incentive Plan awarding 500 shares to each employee and a new Sharing Success Performance Plan for the graded management population. Both plans have a significant share-based element designed to focus on the delivery of share price growth which we believe is fully aligned with shareholders’ interests.

Both executive directors made significant investments under the placing and rights issue that took place in April 2014 and details of their shareholdings are set out on page 60.

Executive arrangements

The Committee reviewed the CEO’s and CFO’s performance over the financial period and assessed the extent to which their annual bonus targets had been achieved. This included performance over the 12 months ended 31 December 2014 and also the additional quarter to 4 April 2015. The Committee concluded that both Gavin Darby and Alastair Murray had made a significant contribution to the Company — most notably with the completion of the successful Capital Refinancing Plan, the new agreement with the Company’s Pension Trustees, the creation of the Hovis Joint Venture, the introduction of a three year business plan and the implementation of the new Strategic Business Unit structure. However, during the period our major retail customers were impacted by significant structural changes in the market and this affected both our overall sales and profitability.

Gavin Darby was awarded a bonus of £306,250 representing 35% of his salary and this will be delivered entirely in the form of shares (net of income tax and national insurance). Alastair Murray was awarded a bonus of £125,000 representing 25% of his salary. The awards recognise the successful achievement of certain financial targets as well as the completion of strategic objectives and personal performance measures. In addition, the second tranche of Gavin Darby’s Co-Investment Award vested on 1 May 2015. No long-term incentive awards vested. Full details are set out on pages 57 to 59.

> *“The Committee’s overall remuneration strategy remains broadly unchanged and is focused on supporting the Company’s business turnaround and delivering shareholder value.”*
>
> **Jennifer Laing**
> Remuneration Committee Chairman

What we’ve planned for the 52 week period ending 2 April 2016 (2015/16)

Remuneration arrangements for 2015/16 are in accordance with the Directors’ Remuneration Policy.

A salary increase of 1%, in line with all employees not involved in collective bargaining, was approved for executive directors with effect from 1 April 2015. Gavin Darby advised the Committee that he would not take the salary rise and consequently his salary for 2015/16 will remain unchanged.

Under the Remuneration Policy 25% of any annual bonus awarded to Gavin Darby is made in the form of shares. Going forward the first 25% of his total bonus will be awarded in shares using the price fixed at the start of the financial year. This aims to further align the CEO with the interests of shareholders. Performance conditions remain linked to delivering our strategy and the targets are considered stretching.

I look forward to your continuing support.

Directors’ Remuneration Policy

Set out below is a summary of the Directors’ Remuneration Policy which was approved by shareholders at the AGM on 29 April 2014 (99.05% of votes cast being in favour) and became effective from that date. There are no proposals to amend the Directors’ Remuneration Policy at the 2015 AGM, the text is included for information to assist with the understanding of the Annual Report on Remuneration for the period ended 4 April 2015. Details of the policy for loss of office and recruitment have been omitted as there have been no changes in the period.

The full policy is available to view on the Company’s website.

Base Salary	
Link to Strategy	Provides an appropriate level of fixed income. Set at levels to attract and retain talented individuals with reference to the Committee’s assessment of: 1. The specific needs of the Company by reference to the size and complexity of the business, acknowledging the Company is currently in a turnaround situation; and 2. The specific experience, skills and responsibilities of the individual. **Operation:** Normally reviewed annually, effective 1 April in conjunction with those of the wider workforce.
Maximum Opportunity	Salaries for the relevant year are detailed in the Annual Report on Remuneration. 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.
Performance Conditions	None, although Company performance is taken into consideration when determining an appropriate level of base salary increase for management grades as a whole.
Performance Period	None

Annual Bonus	
Link to Strategy	Designed to incentivise delivery of annual financial and operational goals and directly linked to delivery of the Company strategy. **Operation:** An annual bonus is earned based on performance against a number of performance measures which are linked to the Company’s strategy. Bonuses are paid entirely in cash with the exception of the CEO where 25% is paid in shares.
Maximum Opportunity	Maximum (as a percentage of salary): • CEO – 150% • CFO – 75%
Performance Conditions	Performance conditions are designed to promote the delivery of the Company’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 trading profit; and • Personal performance representing not more than 20% of the total bonus opportunity. There is no preset minimum bonus that can be paid out at threshold. However, 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

Deferred Share Bonus Plan (DSBP)	
Link to Strategy	Operates alongside the annual bonus but with a longer-term focus. Awards are satisfied in the form of shares deferred for a period of up to two years to focus on medium-term share price performance. **Operation:** Based on in-year Company wide strategic performance targets with any award being made following the end of the financial year in the form of shares that are deferred for up to two years. The rules contain a dividend equivalent provision enabling dividends to be paid (in cash or shares) on shares at the time of vesting. Clawback provisions apply.
Maximum Opportunity	• CFO – 30% of the salary. • CEO – The current CEO does not participate in the DSBP.
Performance Conditions	Performance conditions are designed to promote the delivery of the annual business plan 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 delivery of a threshold level of trading profit; and • Short to medium-term strategic targets including financial and non-financial Key Performance Indicators, subject to the delivery of a threshold level of trading profit. There is no preset minimum bonus that can be paid out at threshold. However, no more than 20% of the bonus will vest for threshold performance with full vesting taking place for equalling or exceeding the maximum target.
Performance Period	One year, with a retention period of up to two years

Long-Term Incentive Plan (LTIP)	
Link to Strategy	The LTIP provides a clear link to our strategic goal of returning to profitable growth with sustainable share price growth over the long term. **Operation:** Annual grant of awards. The LTIP comprises two elements — performance shares and matching shares — and the aggregate maximum under both elements is 200% of base salary. Performance shares are the conditional award of shares or nil cost options which normally vest after three years subject to performance conditions. Matching shares are similar to performance shares but require participants to invest in Company shares. Any investment will receive a maximum match of up to 2:1 from the Company subject to performance. Currently it is the Remuneration Committee's policy for awards under the LTIP to be made only in the form of performance shares. Whilst the Remuneration Committee does not expect to change this policy it wishes to retain the flexibility to do so. 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 dividends to be paid (in cash or shares) on shares at the time of vesting. Clawback provisions apply.
Maximum Opportunity	Maximum individual limit of 200% of salary. Where matching shares are used, no more than half of the award can be comprised of matching shares. Normal award levels are (as a percentage of salary): • CEO – 200% • CFO – 150%
Performance Conditions	Performance conditions are based on a range of targets focused on the delivery of increased shareholder value over the medium to long term. These include a combination of total shareholder return and earnings per share. 20% of the bonus will vest for threshold performance with full vesting taking place for equalling or exceeding the maximum target.
Performance Period	Three years

Directors' Remuneration report

Pension	
Link to Strategy	To offer market competitive levels of benefit and help to recruit and retain and to recognise long-term commitment to the Company. **Operation:** Executive directors receive an allowance in lieu of pension provision which is subject to periodic review or may participate in the Company'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.
Maximum Opportunity	Annual allowances of: • CEO – 20% of salary. • The CFO participates in the Company's pension scheme and receives a contribution of 7.5% of the Earnings Cap set annually by the Company on the basis of the calculation previously used by HMRC. Should the CFO decide not to participate in the Company's pension scheme he would receive a cash allowance of this amount. Additionally, the CFO receives a cash supplement (currently £21,610) which is reviewed annually by the Company in line with the Retail Price Index (RPI).
Performance Conditions	N/A
Performance Period	N/A

Sharesave Plans	
Link to Strategy	To offer all employees the opportunity to build a shareholding in a simple and tax-efficient manner. **Operation:** The Company's Sharesave Plan is an HMRC compliant scheme which is usually offered annually in September to all employees. The key terms of the plan will only be changed to reflect HMRC changes. At the 2014 AGM shareholders approved a new plan which will run until 2024.
Maximum Opportunity	Participants may save up to the statutory limit 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.
Performance Conditions	None, other than continued employment.
Performance Period	Three years

Co-Investment Award (one-off award in 2013)	
Link to Strategy	To facilitate the recruitment of Gavin Darby as CEO in 2013 and immediately align the CEO with shareholders and the delivery of share price growth. **Operation:** Award specific to Gavin Darby. On appointment Gavin Darby acquired shares worth 100% of annual base salary in the Company. The Company made a matching award of shares worth 200% of salary which vest in three equal tranches on 1 May 2014, 2015 and 2016 subject to satisfaction of a performance condition requiring payment of a bonus.
Maximum Opportunity	200% of salary (one-off award specific to Gavin Darby).
Performance Conditions	Subject to a bonus having been paid for the relevant financial year and continued employment. The Co-Investment Award vests in specified circumstances including a change of control.
Performance Period	One, two and three years

Other Benefits	
Link to Strategy	Help recruit and retain and to promote the efficient use of management time. **Operation:** The Company typically provides the following benefits: Company car or cash allowance. The CEO has use of the Company's chauffeur driven car for Company business which allows the CEO to work while commuting to 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).
Maximum Opportunity	The provision and level of allowances and benefits are considered appropriate and in line with market practice.
Performance Conditions	N/A
Performance Period	N/A

Non-executive director fees	
Link to Strategy	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. **Operation:** 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 to Committee Chairs and the Senior Independent Director.
Maximum Opportunity	Increases are normally expected to be in line with the market, taking into account increases across the Company as a whole, subject to particular circumstances such as a significant change in role, responsibilities or organisation.
Performance Conditions	None
Performance Period	None

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, DSBP, Co-Investment Award and LTIP according to their respective rules which includes 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, DSBP 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 Company;
- 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 Company strategy. The majority of annual bonus and DSBP measures will be focused on financial performance with the remainder linked to individual performance and/or strategic objectives. This approach is adopted in order to link pay to the delivery of overall Company performance measured across a balance of key strategic aims. The targets will be set by reference to internal budgeting and strategic plans for the financial and strategic measures and key objectives identified by the Committee for the personal performance measures.

Currently the LTIP uses a combination of Earnings per Share and total shareholder return based measures to reflect both an internal measure of Company 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 alter weightings for the annual bonus plan and DSBP and to adjust targets for the long-term 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 Company performance for the year. No upward moderation would be undertaken without first consulting with major shareholders.

Directors' Remuneration report

Service Contracts

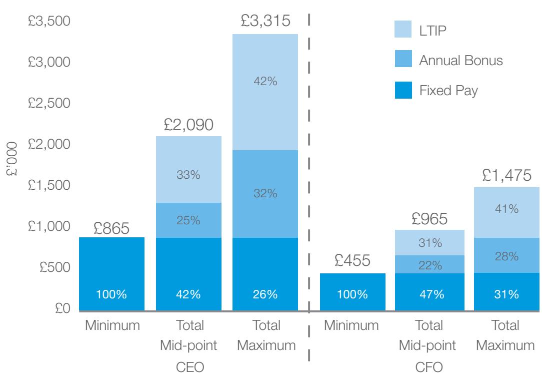
Executive directors have rolling service contracts. The current executive directors' service contracts contain the key terms shown in the below table. In the event that any additional executive directors are appointed it is likely that their service contracts will contain broadly similar terms.

Provision	Detailed terms
Remuneration	Salary, bonus, share incentives, expenses and pension entitlements in line with the above Directors' Remuneration Policy Table.
Change of Control	The service agreements do not provide for any enhanced payments in the event of a change of control of the Company.
Notice Period	Standard notice periods are set at 12 months.
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 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 appointment of non-executive directors is for a fixed term of three years which may be terminated by three months notice from either party. The letters of appointment entitle the non-executive directors to receive fees but do not have provisions on payment for early termination.

Remuneration scenarios & weighting

The chart below shows executive director remuneration at three different levels of performance (minimum, mid-point and maximum) as at 1 January 2014:



Assumptions when compiling the charts are:
Minimum = fixed pay only (base salary, benefits and pension).
Mid-point = fixed pay plus 50% of Annual Bonus and DSBP payable and 50% of LTIP vesting.
Maximum = fixed pay plus 100% of Annual Bonus and DSBP payable and 100% of LTIP vesting.

Excludes Gavin Darby's Co-investment Award as this does not form part of his ongoing remuneration. As the DSBP is based on annual performance it is included within Annual Bonus. The value of share awards does not include any assumptions on share price movements.

Consideration of all employees within the Company

In line with current market practice, the Company does not actively consult with employees on executive remuneration. However, the Committee is kept updated during the year on salary increases within the Company, 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.

Differences in Remuneration Policy for executive directors compared to other employees

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

All management grades participate in the annual bonus plan to ensure alignment with the Company's strategic priorities. Senior management participate in long term incentive arrangements reflecting their contribution to Company performance and enhancing shareholder value. All employees are encouraged to own shares in the Company via the Share Incentive and Sharesave Plans.

Annual Report on Remuneration

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the AGM on 23 July 2015.

Single figure table for Total Remuneration (audited)

The table below sets out the single figure for the total remuneration received by each executive director for the financial period ended 4 April 2015 (15 months) and the year ended 31 December 2013 (12 months).

Directors	Salary £'000		Taxable Benefits[1] £'000		Pension £'000		Annual bonus £'000		Share based awards £'000		Total £'000	
	2015 (15 months)	2013 (12 months)	2015 (15 months)	2013 (12 months)	2015 (15 months)	2013 (12 months)	2015 (15 months)	2013 (12 months)	2015 (15 months)	2013 (12 months)	2015 (15 months)	2013 (12 months)
Gavin Darby[2]	881	638	31	17	176	128	307	175	342	447	1,737	1,405
Alastair Murray[3]	503	101	26	5	41	8	125	—	—	—	695	114

Non-executive directors' emoluments	2015 Fee (15 months) (£)	2013 Fee (12 months) (£)
David Beever	333,458	265,000
Richard Hodgson[4]	14,077	—
Ian Krieger[5]	92,708	65,864
Jennifer Laing[6]	81,437	57,000
Charles Miller Smith	71,725	57,000
Pam Powell	71,725	37,380
Former non-executive directors		
David Wild[7]	24,166	70,909

1. Benefits include those mentioned in the summary table in the Directors' Remuneration Policy report on pages 53.
2. Gavin Darby received a basic salary for the period of £700,000 per annum and a salary supplement in lieu of pension of 20% of base salary. Gavin Darby was awarded a bonus of £306,250 representing 35% of his salary in respect of the financial period. In addition, the second tranche of his Co-Investment Award, which comprised 751,814 shares (adjusted for the 8 for 5 Rights Issue), vested on 1 May 2015. For the purposes of this table the award has been valued at £342,075, based on the share price on 1 May 2015. The first tranche of his Co-Investment Award was included in the 2013 annual report with an estimated value of £688,492. The share price on the date of vesting (1 May 2014) was 59.5p per share, valuing the award at £447,329, and this value has been included in the table above.
3. Alastair Murray received a basic salary for the period of £400,000 per annum (with a 1% increase in salary taking effect from 1 April 2015) and an annualised salary supplement in lieu of pension of 7.5% of the Earnings Cap (£141,000 for the 2013/14 tax year, £145,800 for the 2014/15 tax year and £149,400 for the 2015/16 tax year) which equates to £13,700 for the period together with an additional RPI adjusted pensions supplement of £27,781 in respect of the financial period. Alastair Murray was awarded a bonus of £125,000 representing 25% of his salary in respect of the financial period.
4. Richard Hodgson was appointed as a non-executive director on 6 January 2015.
5. Ian Krieger received an additional annual prorated fee of £5,000 following his appointment as Senior Independent Director in May 2014.
6. Jennifer Laing received an additional annual prorated fee of £10,500 following her appointment as Remuneration Committee Chairman in May 2014.
7. David Wild retired as a non-executive director on 1 May 2014.

The Committee

The table on page 40 identifies the Committee members and meeting attendance. 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. Only independent non-executive directors may become members of the Committee. In addition, the CEO, HR Director and New Bridge Street (remuneration advisers to the Committee) regularly attend by invitation. The Deputy Company Secretary acts as secretary to the Committee. Over the course of the year the Committee held 10 scheduled meetings together with a number of ad hoc meetings for specific business.

Advisers

New Bridge Street (NBS) (a trading name of Aon Hewitt Limited) have been appointed as advisers to the Committee. During the year NBS provided advice in connection with executive remuneration arrangements and the introduction of a new annual bonus plan for management operating below Board level. NBS are signatories of the Remuneration Consultants Company Code of Conduct. The trustees of the Company's pension schemes have appointed Aon Hewitt Limited to act as Administrators and Actuary to the schemes and, in the case of the RHM pension scheme, to act as Investment Advisers. NBS operates independently of the pension teams and the Committee is satisfied there is no conflict of interest. NBS received fees of £97,416 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 conditions 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 Company's website.

Directors' Remuneration report

What we did during the financial period

- In line with good practice, a review of the Committee's remuneration adviser was undertaken and this took the form of a formal tender exercise with a range of leading providers. Following this review it was concluded that New Bridge Street continued to provide an effective service to the Committee and consequently they were retained;
- Undertook a review of variable reward for management below Board level and approved a new two year plan linked to completing the turnaround of the business;
- Approved an award of 500 free shares to all employees to align them with shareholders and support the launch of the new purpose and values of the Company;
- Following the completion of the Capital Refinancing Plan on 14 April 2014 the Committee approved adjustments to outstanding share awards under the Company's share plans. Adjustments to the number of shares under award and where relevant, to option prices, were made to take into account the impact of the 8 for 5 Rights Issue using the standard theoretical ex rights method;
- Reviewed and recommended executive directors' and senior managers' annual bonuses in respect of the financial period and set the targets for the 2015/16 annual bonus in accordance with the strategic objectives of the Company;
- Granted 2014 awards under the equity schemes operated by the Company and agreed the targets for awards due to be made in 2015; and
- Reviewed the voting results for the 2014 Remuneration Report at the AGM and discussed best practice in remuneration policy and disclosure.

External Appointments

The Company is supportive of executive directors who wish to take on a non-executive directorship with a publicly quoted company in order to broaden their experience and they are entitled to retain any fees they may receive. The current executive directors do not have any external appointments with publicly quoted companies.

Salary and fees

Financial period ended 4 April 2015
Executive directors

There were no changes to the salary for the CEO and CFO during 2014. In line with the salary increase to all employees not involved in collective bargaining the Committee approved a 1% salary increase for the CEO and CFO with effect from 1 April 2015. Gavin Darby advised the Committee that he would not take the salary increase and therefore his salary for 2015/16 remains unchanged.

Executive director	4 April 2015	31 December 2013	Increase
Gavin Darby	**£700,000**	£700,000	–
Alastair Murray	**£404,000**	£400,000	1%

Non-executive directors

The fees of our non-executive directors (NEDs) are laid out in the table below, and remained unchanged during the financial period. A review of non-executive fees was undertaken in May 2015 and this concluded that the Senior Independent Director's fee should be increased to £10,000 per anum recognising the increased level of work required by the role. No changes to the Chairman's fee or basic NED fee were proposed.

NED fees	4 April 2015
Chairman fee	£265,000
Basic NED fee	£57,000
Additional remuneration:	
Audit Committee Chairman	£13,000
Remuneration Committee Chairman	£10,500
Senior Independent Director	£5,000

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

Non-executive director	Date of original appointment	Expiry of current appointment/ amendment letter	Notice period
David Beever	22 January 2008	AGM 2017	3 months
Richard Hodgson	6 January 2015	AGM 2017	3 months
Ian Krieger	1 November 2012	AGM 2015	3 months
Jennifer Laing	1 October 2012	AGM 2015	3 months
Charles Miller Smith	16 June 2009	N/A	1 month
Pam Powell	7 May 2013	AGM 2016	3 months

Annual Bonus (executive directors)

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.

Financial period ended 4 April 2015

The bonus opportunity for the period has been prorated to reflect the extended 15 month financial year. Gavin Darby's bonus opportunity was therefore increased from £1,050,000 to £1,312,500 and Alastair Murray's bonus opportunity was increased from £300,000 to £375,000.

The Committee undertook a full and detailed review of the performance of each executive director. This took into account both the financial performance of the business as a whole and an assessment of the extent to which strategic and personal targets had been achieved for the financial period. Gavin Darby was awarded a bonus of £306,250 for the financial period representing 35% of his salary and 23.4% of the maximum opportunity for the financial period. Gavin Darby requested, and the Committee agreed, that any bonus awarded for the financial period would be delivered in the form of shares (net of income tax and national insurance). Alastair Murray was awarded a bonus of £125,000 for the financial period representing 25% of his salary and 33.4% of the maximum opportunity for the financial period.

Annual Bonus plan outcome for the period ended 4 April 2015 (15 month period)

		Gavin Darby	
Performance Measure	**Maximum (% of opp)**	**Outcome (% of opp)**	**£**
Financial target	50.0%	10.0%	£131,250
Strategic targets	33.3%	–	–
Personal targets	16.7%	13.4%	£175,000
Total	100%	23.4%	£306,250
Maximum opportunity	100%	23.4%	£1,312,500
Comparative salary for the financial period		35.0%	£875,000

		Alastair Murray	
Performance Measure	**Maximum (% of opp)**	**Outcome (% of opp)**	**£**
Financial target	50.0%	10.0%	£37,500
Strategic targets	33.3%	6.7%	£24,975
Personal targets	16.7%	16.7%	£62,525
Total	100%	33.4%	£125,000
Maximum opportunity	100%	33.4%	£375,000
Comparative salary for the financial period		25.0%	£500,000

Performance targets

For the 2014 calendar year the Committee agreed a stretching trading profit target based on the 2014 budget which was set above analyst consensus at the start of the year. Following the change in year end it was agreed that additional targets be set for the extended period from 1 January to 4 April 2015 (the "Q1 2015" period). The targets followed the normal structure for the annual bonus i.e. financial targets; short to medium strategic targets; and personal objectives. A separate trading profit target was identified based on the budget for Q1 2015 with the appropriate underpin. Additional strategic and personal objectives were identified for Alastair Murray which focused on the delivery of short term strategic objectives critical to the Q1 2015 period. However, it was agreed that due to the short period under review it was not appropriate to set targets for the short term strategic or personal objective elements for Gavin Darby and so, rather than re-weight the bonus to financial targets alone, his actual bonus opportunity for this three month period was reduced by half.

Performance assessment

During 2014 the market in which we operate experienced a period of significant change which impacted our major retail customers and as a result the Company has re-set its growth and profit expectations. Consequently, the trading profit performance for the year to 31 December 2014 was £131m which was below the trading profit underpin of £144.5m. An additional trading profit target was agreed for the Q1 2015 period based on the budget for Q1 2015 with an appropriate underpin. Performance for the Q1 2015 period was £23.7m which was above the trading profit target of £23.2m.

Strategic and personal performance assessment

During the financial period Gavin Darby successfully completed a number of significant strategic and personal objectives including the implementation of certain financial initiatives to strengthen the balance sheet, the completion of a new agreement with the Company's pension trustees, the creation of the Hovis JV, the development and launch of a strategic three year business plan, the completion of the Company's de-complexity programme and the launch of a new purpose and values for the business.

During the financial period Alastair Murray successfully completed a number of significant strategic and personal objectives including the implementation of certain financial initiatives to strengthen the balance sheet, supporting the development and launch of a strategic three year business plan, delivery of new forecasting and decision making systems and managing the transitional arrangements for the finance and ISC functions following the creation of the Hovis JV. Strategic and personal objectives completed during the Q1 2015 period included completion and delivery of the new forecasting and decision making system, transition of reporting for the new financial year and management of cost control for the new SBU structure.

Directors' Remuneration report

Annual bonus targets for 2015/16

The Committee has determined that the structure for the annual bonus scheme will remain unchanged i.e. half the award will be dependent on financial targets and half will be dependent on short to medium-term strategic targets and personal objectives. The financial performance target for the 52 weeks ending 2 April 2016 will continue to be based on trading profit as this is aligned to the Company's strategy of category growth. In addition, for the CFO, they also include net debt and cash management targets. The actual financial performance target are commercially sensitive but will be disclosed as part of the performance assessment in next year's annual report and accounts. The short to medium-term strategic targets and personal performance targets for Gavin Darby include a review and update of the Company's three year business plan, developing strategic partnerships for the International business, customer relationships and implementation of the action plan from the 2015 all-employee survey. For Alastair Murray these include corporate development, net debt management, investor relations and cash forecasting.

Under the Remuneration Policy 25% of any annual bonus payment to Gavin Darby is awarded in the form of shares. Going forward the first 25% of his total bonus will be awarded in shares with the price fixed at the start of the financial period. The Committee considers this to be an effective way of increasing alignment of the CEO's interests with those of shareholders and incentivising value growth.

Deferred Share Bonus Plan (DSBP)

Alastair Murray participates in the DSBP which operates alongside the annual cash bonus. The CEO does not participate in the DSBP. Awards can be based on the achievement of a range of Company-wide financial and strategic targets which are set at the start of each financial year. If the objective is met, the bonus earned will be converted into shares following the announcement of the results for the financial year and deferred for a period of up to two years. These shares will be subject to forfeiture over the period of deferral. All shares for these awards will be sourced in the market.

DSBP award for the financial period ended 4 April 2015

Alastair Murray participated in the DSBP during the financial year. The targets agreed for 2014 were based 50% on average net debt and 50% on Power Brand turnover subject to a trading profit underpin of £144.5m for the 12 months to 31 December 2014. Following the change in year end the Committee determined that no adjustment be made to the original targets and that any achievement against target would be prorated for the additional Q1 2015 period.

	Target range	Performance (as at 31 December 2014)	Outcome
Average net debt*	£716.2m – £701.2m	£711.7m	Part achieved
Power Brand turnover	0 – 3.0%	(3.5)%	Not achieved

* Average net debt target reflects the completion of the Capital Refinancing Plan part way through the financial year.

The trading profit underpin was not achieved and as a result no award was made under the DSBP for the financial period ended 4 April 2015.

DSBP award for 2015/16

Following review the Committee has determined that the performance targets for the DSBP will be aligned with those of the Annual Bonus plan as set out above. This simplifies arrangements whilst retaining the delivery of a significant proportion of any variable reward earned by Alastair Murray in the form of shares deferred for two years.

Long-Term Incentive Plan (LTIP)

The current LTIP was approved by shareholders in 2011; awards have two elements, performance shares and matching shares. The Committee determined in 2012 that whilst the business is in turnaround and the share price continues to be volatile, awards under the LTIP will take the form of performance shares only.

The table below details share interests which were awarded during the year and the total interests as at the year end. All awards are in the form of performance shares:

Gavin Darby	22 Feb 2013	25 Jun 2014
As at 1 Jan 2014	2,255,442	–
Granted in period	–	2,629,107
Lapsed in period	–	–
As at 4 Apr 2015	2,255,442	2,629,107
Price on award date	62.07p	53.25p
Basis of award	200% of salary	200% of salary
Value on award date	£1.4m	£1.4m
% award at threshold	20%	20%
Performance period	June 2016	June 2017

Alastair Murray	25 Jun 2014
As at 1 Jan 2014	-
Granted in period	1,126,760
Lapsed in period	-
As at 4 Apr 2015	1,126,760
Price on award date	53.25p
Basis of award	150% of salary
Value on award date	£0.6m
% award at threshold	20%
Performance period	June 2017

Share awards adjusted to reflect the impact of the rights issue on 14 April 2014.

LTIP award in the financial period ended 4 April 2015

The 2014 LTIP award was subject to a relative TSR condition (comprising 2/3rds of the award) and an adjusted EPS condition (comprising 1/3rd of the award). The Committee believes that these targets are fully aligned with the interests of shareholders at this stage in the Company's turnaround and that awards will only vest following the achievement of stretching performance targets. The Committee determined that, following the completion of the Capital Refinancing Plan the Company's balance sheet has been significantly strengthened and therefore it would be appropriate to move from an absolute to a relative TSR condition. The 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 FTSE250 Index (excluding investment trusts).

2014 LTIP Award

% of relevant portion of award vesting[1]	Relative TSR	Adjusted EPS
0%	Below median	Below 11.65p
20%	At median	At 11.65p
20% – 100%	Between median and upper quartile	Between 11.65p and 13.45p

1. Straight line vesting between these points.

LTIP award in 2015/16

The Committee reviewed the performance criteria for the 2015/16 award and proposes to use the same measures as the 2014 LTIP award as they remain fully aligned with the interests of shareholders and will only vest following the achievement of stretching performance targets (set out below). The 2015/16 LTIP award will therefore be subject to a relative TSR condition (comprising 2/3rds of the award) and an adjusted EPS condition (comprising 1/3rd of the award). Following the change in year end it was agreed that the award to Alastair Murray in 2015 would be increased pro rata on a one-off basis to reflect the longer 15 month period. As a result his award in 2015 will represent 187.5% of annual salary rather than the normal 150% of annual salary. No adjustment will be made to the size of the award to Gavin Darby in 2015.

2015 LTIP award

% of relevant portion of award vesting[1]	Relative TSR[2]	Adjusted EPS[3]
0%	Below median	Below 8.97p
20%	At median	At 8.97p
20% – 100%	Between median and upper quartile	Between 8.97p and 10.00p

1. Straight line vesting between these points.
2. Measured against the constituents of the FTSE 250 Index (excluding investment trusts) around the start of the period.
3. 2014/15 base year EPS was 8.0p.

Co-Investment Award

The Co-Investment Award is specific to Gavin Darby following his appointment as CEO in 2013 and is designed to align the CEO with shareholders and the delivery of share price growth. On appointment Gavin Darby purchased shares worth 100% of annual base salary in the Company. In return the Company made a matching award of shares worth 200% of salary which vests in thirds on 1 May 2014, 2015 and 2016. The award is subject to a bonus having been paid for the relevant financial year and continued employment. The first tranche of the Co-Investment Award vested on 1 May 2014 and Gavin Darby exercised the award and elected to retain the 751,814 shares in full. Following the payment of an annual bonus to Gavin Darby in respect of the financial period ended 4 April 2015 the performance condition for the second tranche of his Co-Investment Award has now been satisfied and accordingly has been reflected in the single figure table on page 55.

Gavin Darby	Date of grant: 22 Feb 2013
As at 1 Jan 2014	2,255,442
Granted in period	-
Vested in period	751,814
As at 4 Apr 2015	1,503,628
Price on award date	62.07p
Basis of award	200% of salary
Value on Award date	£1.4m
% award at threshold	N/A
Performance period	Vests in three equal tranches on 1 May 2014, 2015 and 2016

Share awards adjusted to reflect the impact of the rights issue on 14 April 2014.

Directors' Remuneration report

Share Interest Table

To align executive directors' interests with those of shareholders they are expected to build a holding of shares within three years of appointment at least equal to their annual salary (valued at the time of purchase). All employees are encouraged to develop a shareholding in the Company via the Share Incentive Plan and Sharesave Plan. Awards under all-employee share plans may be satisfied using either newly issued shares or shares purchased in the market and held in the Company's Employment Benefit Trust (which held 12,286 shares as at 4 April 2015). The Company complies with the Investment Association guidelines in respect of the dilutive effect of newly issued shares.

The following table shows directors' interests in Company shares. Awards under the LTIP are subject to a three year vesting period and are subject to stretching performance conditions. 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.

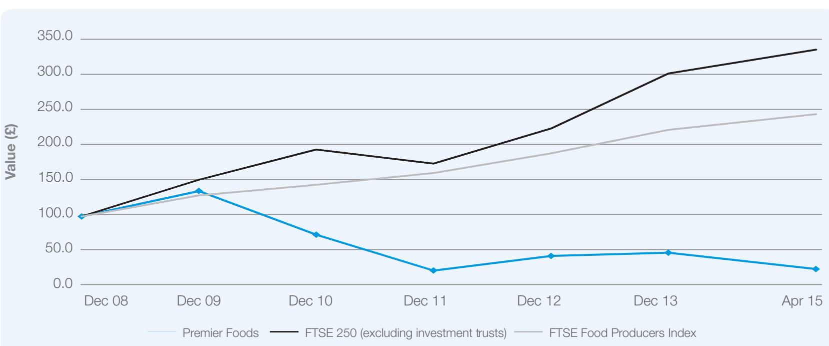
Director	Ordinary Shares owned as at 4 Apr 2015	Ordinary shares owned as at 31 Dec 2013	Extent to which share ownership guideline has been met	Unvested share interests under the LTIP[1]	Unvested share interests under the Co-Investment Award[1]	Sharesave Plan	Total
Gavin Darby	3,366,523	750,268	300%	4,884,549	1,503,628	13,618	9,768,318
Alastair Murray	309,522	—	62%	1,126,760	—	—	1,436,282
David Beever	304,881	31,900					304,881
Richard Hodgson[2]	—	—					—
Ian Krieger	304,000	20,000					304,000
Jennifer Laing	54,802	16,078					54,802
Pam Powell	160,366	—					160,366
Charles Miller Smith[3]	1,095,069	325,027					1,095,069
Former directors[4]							
David Wild	78,000	5,000					78,000

Share awards adjusted to reflect the impact of the rights issue on 14 April 2014.

1. The LTIP and Co-Investment Award have performance conditions, for further details please see page 59 above. The first tranche of the Co-Investment Award vested on 1 May 2014 and Gavin Darby exercised the award and elected to retain the 751,814 shares in full.
2. Richard Hodgson was appointed on 6 January 2015.
3. Charles Miller Smith holds his shares in the form of contracts for difference.
4. For former directors the figures represent the number of shares held at the date immediately before they ceased to be a director.

Total shareholder return

The market price of a share in the Company on 2 April 2015 (the last trading day before the period end) was 41.75 pence; the range during the financial period was 26.75 pence to 105.31 pence (adjusted to take into account the rights issue completed on 14 April 2014).



Source: Thomson Reuters (Datastream)

This graph shows the value, by 4 April 2015, of £100 invested in Premier Foods plc on 31 December 2008 compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts) and the FTSE Food Producers Index as the Committee considers these to be the most appropriate comparator indices. 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 current financial period and the previous five years. The figures for 2014/15 represent a 15 month period versus a 12 month period in prior years.

Year	CEO	Single Figure for total remuneration[1]	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2014/15	Gavin Darby	£1,736,749	23.4%	–
2013	Gavin Darby	£1,405,753	16%	–
	Michael Clarke[2]	£1,122,795	–	–
2012	Michael Clarke	£1,699,575	66%	–
2011	Michael Clarke	£2,277,070	–	–
	Robert Schofield	£895,485	–	–
2010	Robert Schofield	£715,052	10%	–
2009	Robert Schofield	£929,967	29%	–

1. Details of single figure of total remuneration are set out on page 55. The figure for 2015 represents total remuneration received during the financial period from 1 January 2014 to 4 April 2015.

2. Michael Clarke acted as CEO from 16 August 2011 until 28 January 2013.

Percentage change in CEO pay

For the purpose of this table pay is defined as salary, benefits and annual bonus. There has been no increase to the CEO's salary during the financial period. Benefits and annual bonus for the financial period have been prorated to a 12 month period for comparison with 2013. The average pay of management grades (approximately 450 employees) is used for the purposes of comparison as they are members of the Company's annual bonus plan. Small discretionary awards were made to management in 2014/15 and 2013 under the annual bonus plan.

CEO	Percentage Change 4 Apr 2015	Percentage Change 2013
Base salary	0%	-7%
Benefits	46%	-68%
Annual bonus	40%	-77%
Management grades		
Base salary	1%	2%
Benefits	–	–
Annual bonus	48%	–

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs and dividends for the financial period and the year ended 31 December 2013. The terms of our current bank facility agreement contain restrictions on the payment of dividends. Recurring 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 overall reduction in debt over the course of the year.

The figures for 2014/15 represent a 15 months period versus a 12 month period for the prior year. During the financial period the number of employees reduced significantly following the completion of the Hovis Joint Venture.

	2014/15 £m	2013 £m	Change %
Total employee costs	£213.9m	£293.1m	-27.0%
Recurring cash flow	£(24.4)m	£86.8m	n/a
Net debt	£584.9m	£830.8m	-29.6%
Dividends paid	–	–	–

2014 AGM voting

	Approval of the Annual Report on Remuneration		Approval of the Remuneration Policy contained in the annual report 2013	
For	592,432,265	(99.93%)	593,707,405	(99.05%)
Against	410,277	(0.07%)	5,714,208	(0.95%)
Abstain	9,747,515		3,168,444	

Consideration of shareholders' views

The Remuneration Committee and the Board considers 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 the Company's 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. The Directors' Remuneration Policy received strong support at the 2014 AGM. Payments to directors in the financial period and arrangement for the coming year are in accordance with this policy and therefore no formal consultation with shareholders took place during the period.

The Directors' Remuneration report was approved by the Board on 18 May 2015 and signed on its behalf by:

Jennifer Laing
Chairman of the Remuneration Committee

Directors' report

Directors' report

The Directors' report consists of pages 1 to 63 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 are references to Premier Foods plc and its subsidiaries.

Articles of Association

The Company's Articles may only be amended by a special resolution at a general meeting.

The Articles are available on our corporate website.

Profit and dividends

The loss before tax on continuing operations for the financial year was £(135.6)m (2013 profit (restated): £4.4m). The directors do not recommend the payment of a dividend for the financial period ended 4 April 2015 (2013: £nil).

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 £16.6m (2013: £10.0m).

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.

Share capital information

The Company's issued share capital as at 4 April 2015 comprised 825,741,256 ordinary 10p shares. During the financial period 585,913,090 ordinary shares were issued, largely as a result of the Placing and Rights Issue in April 2014; details of the movements can be found in note 26 on page 121. All of the ordinary shares rank equally with respect to voting rights, 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.

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 18 May 2015, the Company has been notified of the following interests of 3% or more in the Company:

Shareholder	Ordinary shares	% of capital	Nature of holding
Warburg Pincus LLC	142,760,090	17.29	Direct
Standard Life Investments Ltd	83,468,338	10.11	Direct and indirect
Paulson & Co. Inc.	82,358,800	9.99	Direct

Going concern

The directors have a reasonable expectation that the Company and group have adequate resources to continue in operational existence for the foreseeable future 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 81.

Statement of Directors' Responsibilities for the Annual Report

The directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing the group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the European Union and IFRSs issued by IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the directors, whose names and functions are listed on page 36 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Directors' report contained on pages 1 to 63 includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

Independent auditors

As set out on page 45 an audit tender exercise is currently underway. In the mean time, the Audit Committee has recommended PwC's reappointment and PwC has indicated its willingness to continue as auditors. The reappointment of PwC and the setting of their remuneration will be proposed at the 2015 AGM.

Auditors and the disclosure of information to auditors

The Companies Act requires directors to provide the Company's auditors 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 auditors are unaware; and
- he/she has taken all the steps that he 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 auditors are aware of that information.

Annual General Meeting (AGM)

The AGM usually takes place in London and is an opportunity for all shareholders to ask questions and vote on the resolutions put forward by the Board. At least 20 working days before the AGM the notice of AGM, a copy of this annual report (if they request a copy in writing) and a Form of Proxy are issued to shareholders.

All documents relating to the AGM are available on the Company's website.

The notice of AGM sets out the proposed resolutions and a brief synopsis of each of them. Shareholders are invited to either attend the AGM in person or appoint a proxy to vote on their behalf. Voting at the AGM is by poll as this gives a more democratic outcome given that the proxy votes are added to the votes cast in person. Details of the proxy votes for, against and withheld are made available on the Company's website after the AGM.

The Chairmen of the Audit, Nomination and Remuneration committees are normally available at the AGM to take any relevant questions and all other directors are expected to attend. All directors attended the 2014 AGM.

2015 AGM — Thursday 23 July 2015 at 11.00 am

The 2015 AGM will be held at the offices of Wragge Lawrence Graham & Co LLP, 4 More London Riverside, London, SE1 2AU.

The Directors' report was approved by the Board on 18 May 2015 and signed on its behalf by:

Andrew McDonald
Company Secretary

Financial statements

This section contains the independent auditors' report to shareholders, the consolidated and Company financial statements and related notes.

"The Company has changed its financial year to reflect the seasonal nature of the business and the current financial period is for the 15 months ended 4 April 2015."

Alastair Murray
Chief Financial Officer

Independent auditors' report

This is the report from the Company's independent auditors, PricewaterhouseCoopers LLP, on the areas which have been audited, the scope and methodology of the audit and their audit opinion in respect of the consolidated financial statements.

Read more on pages 65 to 74

Consolidated financial statements

The financial statements include the consolidated statement of profit or loss, statement of comprehensive income, balance sheet, statement of cash flows and the statement of changes in equity. These are supported by detailed notes.

Read more on pages 75 to 79

Company financial statements

This section contains the Company balance sheet, notes to the Company financial statements and the report from the independent auditors.

Read more on pages 130 to 133

Independent auditors' report
to the members of Premier Foods plc

Report on the financial statements

Our opinion

In our opinion, Premier Foods plc's Group financial statements ('the financial statements'):

- Give a true and fair view of the state of the group's affairs as at 4 April 2015 and of its loss and cash flows for the period 1 January 2014 to 4 April 2015 (the "period") then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Premier Foods plc's financial statements comprise:

- The Consolidated balance sheet as at 4 April 2015;
- The Consolidated statement of profit and loss and the Consolidated statement of comprehensive income for the period then ended;
- The Consolidated statement of cash flows for the period then ended;
- The Consolidated statement of changes in equity for the period then ended; and
- The Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

- Overall group materiality for the period ended 4 April 2015 was £4.15 million, which was determined by applying professional judgement, taking into consideration the adjusted trading profit, as defined on page 88, and the overall scale of the business. Overall group materiality for the year ended 31 December 2013 was £4.45 million.
- The scope of our audit included all active trading companies located in the UK, whose results taken together account for all material balances and line items within the financial statements. All entities are managed from one central location in the UK and all audit work was undertaken by the UK engagement team.
- The components that were part of our audit scope as set out above accounted for 97% (2013: 98%) of Group adjusted trading profit.

The following were areas of focus for the audit:

- Recognition of commercial payments to customers'.
- Recognition of commercial income.
- Goodwill impairment assessment.
- Going concern.
- Inventory valuation.
- Accounting for disposals.
- Recognition and recoverability of deferred tax asset.
- Accounting for defined benefit pension plans.

Independent auditors' report
to the members of Premier Foods plc

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Many judgemental accounting areas, on which we focused our work, were based on a number of common assumptions. As part of our audit work, we checked that the assumptions that underpinned each accounting judgement were consistent with one another. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Recognition of commercial payments to customers As described in the Audit Committee report on page 47 and in the accounting policies sections in the notes to the accounts on page 82, Premier has two main streams of commercial payments to customers; volume rebates and promotional support, whereby discounts and rebates are given retrospectively according to the quantity of goods sold and promotional and marketing activity performed in customers' stores and online respectively. The amounts recognised in the period and affecting the income statement are material and offset against revenue in the income statement and the amounts accrued in the balance sheet at the period end amounted to £44.2m and are included in note 20 to the accounts. We focused on this area as Commercial Payments have a material impact on the Group's results and also due to the fact that these agreements can include a number of characteristics and complex terms that require judgement to be applied in determining the appropriate accounting. It is also an area of heightened focus in light of recent market announcements and the Financial Reporting Council's press release on 19 January 2015. Our audit procedures focused, in particular, on the following judgements: • the period that the agreements cover and, hence, the correct period over which the commercial payment should be recognised; • where the contract spans the period end, the determination of sales volume that will be achieved or the applicable promotional expense that will be incurred; and • the appropriate recognition related to one-off agreements and marketing and promotional activity.	Our approach was underpinned by testing key controls including those used to determine the amount of items sold by the customer under the terms of a Premier funded promotion arrangement. We understood, evaluated and tested the controls that the Group has in place around Commercial Payments accruals. We determined that the testing of those controls provided us with audit evidence that promotional support expenses had been recorded appropriately and in the correct period. Our testing of promotions also included checking the computation of the amounts billed to Premier. We supplemented this testing with substantive procedures as detailed below. We reconciled the total value of promotion expense recorded in Premier's promotion system for the period to the total value recognised in the general ledger and found no material reconciling items. We requested independent confirmations of the relevant terms of a sample of individual promotion agreements directly from a range of customers. For this purpose, the relevant terms were: • the duration of the promotion/campaign; and • the quantum of promotional support per unit sold or the price charged for the campaign. We also requested confirmation from them of amounts invoiced to Premier during the period and amounts accrued in their accounting records at the period end. We received responses from 52% of customers within the sample and all responses agreed to the information provided to us by management. Where confirmations were not received from customers we examined alternative supporting documentation. We tested the recognition and valuation of the sales rebates and promotional accruals by challenging management's judgements. We tested the historical accuracy in estimating the accrual by comparing the value of the prior year accrual with actual invoices received post period end. We tested the sufficiency of the accrual by, again, comparing the amount against historical recovery rates from the Group's customers. We tested credit notes issued during the period and post period end to determine whether the income to which they related has been appropriately reversed. We held a number of discussions with the account managers of the major customers to understand the nature of individual agreements. In addition, we independently tested promotions in customers' stores through site visits and agreed these to the relevant entry in the promotion system. The above audit procedures did not identify any matters that resulted in a material audit adjustment.

Area of focus	How our audit addressed the area of focus
Recognition of commercial income As described in the accounting policies sections in the notes to the accounts on page 82, Premier has two main streams of commercial income; one-off payments from suppliers and volume rebates whereby discounts and rebates are given retrospectively according to the quantity of goods sold. The amount of commercial income recognised in the period is material and is offset against cost of sales, sales and marketing, distribution or administrative expenses, depending on the nature of the goods or services supplied. We focused on this area because, similar to the commercial rebates payable to customers, this income contributes a significant amount to the Group results and these agreements can include a number of characteristics and complex terms that require judgement to be applied in determining the appropriate accounting and this is an area of heightened focus in light of recent market announcements. Our audit procedures focused, in particular, on the following judgements: • The period which the agreements cover and hence the correct period for recognition; • The determination of volume achieved and the applicable income recognised; and • The appropriate recognition of income related to one-off agreements.	We understood and tested the controls that the Group has in place around the recognition of commercial income from suppliers. This indicated that we could place some reliance on these controls but, given the number of separate agreements in place with suppliers, we determined that testing of a substantive nature would be more efficient. We reconciled the total value of supplier income recorded during the period to the total value recognised in the general ledger and found no material reconciling items. We agreed commercial income recognised to contractual evidence with suppliers, with particular attention paid to the period in which the income was recognised and the appropriateness of the accrued income at the period end. We independently tested a sample of individual supplier agreements by requesting confirmations, directly from a range of suppliers of certain terms of the agreements, including the total paid by them to Premier during the period and the period to which it relates. We used this information to check that the amount recognised was recorded in the correct period. Where confirmations were not received from suppliers we examined alternative supporting documentation. The above audit procedures did not identify any matters that resulted in a material audit adjustment.

Area of focus	How our audit addressed the area of focus
Goodwill impairment assessment As described in the Audit Committee report on page 47 and in the critical accounting estimates and judgements and accounting policies sections in the notes to the accounts on page 87, Premier had goodwill of £621.1 million at 4 April 2015 and has also recorded an impairment charge of £67.9 million against the carrying value of goodwill for the Sweet Treats segment. We focused on this area because the determination of whether or not an impairment charge for goodwill both for Sweet Treats and for other CGUs was necessary involved significant judgements by the Directors about the future results of the business and assessment of future plans for the Group's segments. In particular we focused on the key assumptions, which were: • the allocation of goodwill between the Grocery and Sweet Treats CGUs following the internal group re-organisation and, specifically, the £67.9million of goodwill allocated to the Sweet Treats CGU using a relative value approach. This goodwill has been fully impaired by the Directors based on the Directors' assessment of the value in use of this CGU; • the cash flow forecasts derived from internal forecasts and the assumptions around the future performance; • the discount rate and the long term growth rate including the assessment of risk factors and growth expectations of the relevant CGU; and • the adequacy of disclosure of the assumptions used in the impairment assessment.	We evaluated the Directors' impairment calculations by assessing the future cash flow forecasts used in the models and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the mechanics of the underlying calculations. We understood and challenged: • The key assumptions for long term growth rates in the forecasts by comparing them to economic and industry forecasts; • The discount rate by assessing the cost of capital against external benchmarks and comparable organisations; • The allocation of goodwill between the Grocery and Sweet Treats CGUs based on relative fair value; • The short-term growth rates by comparing them to the actual and historical performance; and • The adequacy of the Directors' sensitivity calculations based on historical accuracy and determined that the calculations were most sensitive to changes in trading profit, revenue growth rates and discount rates. We compared the current period's actual results at a segmental level with previous forecasts to assess historical accuracy of the forecasts and used the identified differences to sensitise the projected budgets. In performing the above work we utilised our valuations expertise to identify external market data points to assess the reasonableness of the assumptions used by management. In addition to the Directors' sensitivity analysis, we performed sensitivity analysis around the key drivers of growth rates within the cash flow forecasts to ascertain the extent of change in those assumptions that either individually or collectively would be required for the assets to be further impaired and also considered the likelihood of such movement in those key assumptions arising. In respect of Sweet Treats, we found that any adverse movement in assumptions would result in a further impairment which has been disclosed in note 13. We read the disclosures in the financial statements in relation to the impairment assessment and found them to be compliant with the requirements of IFRSs.

Area of focus	How our audit addressed the area of focus
Going Concern As described in the Audit Committee report on page 47 and in the accounting policies sections in the notes to the accounts on page 81, Premier has undergone a significant refinancing during the year and has registered a loss for the period ending 4 April 2015. We focused on this area because, although the refinancing and the capital restructuring was successfully completed in April 2014 and the Directors believe the group now has sufficient funding in place to continue to be able to meet its liabilities as they fall due, the Group has reported a loss for the period and the going concern assessment involves judgement about the future performance of the business and the availability of cash as and when required.	We evaluated the Directors' assessment of future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and we tested the mechanics of the underlying calculations. We understood and challenged: • The discount rate by assessing the cost of capital by reference to external benchmarks and comparable organisations; • The short-term growth rates by comparing them to the actual and historic performance; • The transformation activities assumptions used in the model; and • The Directors' sensitivity calculations and determined that the calculations were most sensitive to changes in trading profit and revenue growth rates. We compared the current period's actual results with previous forecasts to assess historical accuracy of the forecasts and used the identified differences to sensitise the projected budgets. We performed additional sensitivity analysis around the growth rates within the cash flow forecasts to ascertain the extent of change in those assumptions that either individually or collectively would be required for Premier to either breach covenant obligations in the current funding or to require further funding in order to meet its liabilities as they fall due. We considered it unlikely that such movement in those key assumptions will arise based on historical trading performance and management plans. Our conclusion on the application of the Going Concern basis of accounting is set out below.
Inventory valuation As described in the accounting policies sections in the notes to the accounts on page 84, Premier held inventory of £68.8 million at the period end. We focused on this area as the valuation of inventory is judgemental as it is dependent on the assumptions drawn from the manufacturing process.	We understood the controls that the Group had in place around the valuation of inventory and tested the operating effectiveness of controls relating to the costing of inventory. This testing indicated that we could place some reliance on these controls but, given the material and subjective nature of the inventory valuation, we determined that further testing of a substantive nature was also required. We examined the Group's assessment of costs directly related to bringing inventory to its final destination (and, hence, included in the cost of inventory). To do this, we obtained the detailed calculation of these costs and assessed each of them separately by considering their nature and whether it was appropriate for them to be absorbed. Based on our testing, we determined that the types of costs capitalised in inventory were directly related to bringing inventory to its final destination. We reperformed the reconciliation of the total value of inventory recorded within the inventory system at the period end to the total value recognised in the general ledger and found no material reconciling items. We tested the inventory provisions by examining post year end invoice prices and inventory aging and determined that the provisioning applicable to individual categories of inventory was appropriate.

Area of focus	How our audit addressed the area of focus
Accounting for disposals As described in the Audit Committee report on page 47 and in the notes to the accounts on page 98, Premier has disposed of its majority share in its Bread business and also its majority share in the Powdered beverages and desserts business resulting in losses on disposal before tax of £8.6 million and £6.0 million respectively. Premier has retained an interest in the share capital of these businesses which have been recognised as associates. There is also an element of deferred contingent consideration to which no value has been assigned. We focused on this area due to the magnitude of the disposals and also to evaluate whether the accounting as an associate is appropriate, complete and adequately disclosed.	We examined the underlying disposal documentation. We recalculated the loss arising on disposal of the businesses. We challenged the assumptions underpinning management's evaluation of the deferred contingent consideration based on the historic performance of the business. We agreed costs recognised as part of the loss on disposal (and, hence, excluded from the Group's underlying performance) to supporting documentation such as invoices or timesheet data to check that there were associated with the disposal. We assessed the judgements made concerning whether Premier retained control of the disposed businesses by reading, understanding and considering the implications of the relevant terms within the sale contracts and also understanding the governance and management structure of the disposed businesses. Based on this work, we determined that Premier did not have control of the businesses following the disposal and that they were appropriately accounted for as associates. We also evaluated the investment in associates and assessed their recoverability. Given the complexity of the disclosure requirements within IFRSs and the complexity of this transaction, we checked and determined that the disclosures within the Group financial statements were both compliant with IFRSs and properly reflected both the substance and the form of the transaction.
Recognition and recoverability of deferred tax asset As described in the Audit Committee report on page 47 and in the critical accounting estimates and judgements and accounting policies sections in the notes to the accounts on page 88, Premier has a deferred tax asset of £41.9 million. We focused on this area as it involves complex and subjective judgements about the future results of the business and its ability to utilise future tax losses.	We tested the Group's assessment of the recoverability of both recognised and unrecognised deferred tax assets by evaluating the likelihood of achieving expected taxable profits against which such assets are to be utilised. We compared the expected taxable profits to board approved budgets and forecasts and evaluated whether the assets would be recoverable. The above audit procedures did not identify any matters that resulted in a material audit adjustment.

Area of focus	How our audit addressed the area of focus
Accounting for defined benefit pension plans As described in the Audit Committee report on page 47 and in the critical accounting estimates and judgements and accounting policies sections in the notes to the accounts on page 87, Premier has recognised £211.8 million of net retirement benefit obligations which represents the present value of the defined benefit obligation at the balance sheet date of £4,460.3 million less the fair value of the plan assets of £4,248.5 million. We focused on this area as the valuation of the pension liabilities requires judgement and technical expertise in choosing appropriate assumptions. Changes in a number of key assumptions (including inflation, discount rates and mortality) can have a material impact on the calculation of the liability. The Group uses external actuaries to assist in determining these assumptions.	We used our actuarial expertise to challenge whether the assumptions used in calculating the pension plan liabilities, including mortality assumptions, were consistent with relevant national and industry data and our own internally generated expectations and found that they were. We also verified that the discount and inflation rates used in the valuation of the pension liabilities were consistent with our internally developed benchmarks.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates. As described in the Strategic report, specifically on pages 6 to 33, the Group comprises two divisions, being Grocery and Sweet Treats following a reorganisation during the period. The scope of our audit included all active trading companies located in the UK, whose results taken together account for all material balances and line items within the consolidated financial statements. All entities are managed from one central location in the UK and all audit work was undertaken by the UK engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£4.15m (2013: £4.45m).
How we determined it	2.5% of adjusted trading profit
Rationale for benchmark applied	We have applied this benchmark as we believe it to be the most commonly used by the shareholders as a body in assessing the group's performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £200,000 (2013: £220,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going Concern
Under the listing Rules we are required to review the Directors' statement, set out on page 62, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operations, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting
Consistency of other information
Companies Act 2006 opinions
In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 38 to 44 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 46, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on page 45, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Independent auditors' report
to the members of Premier Foods plc

Responsibilities for the financial statements and the audit
Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other Matter
We have reported separately on the company financial statements of Premier Foods plc for the financial period 1 January 2014 through to 4 April 2015 and on the information in the Director's Remuneration Report that is described as having been audited.

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 May 2015

(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of profit or loss

	Note	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 (Restated)[1] £m
Continuing operations			
Revenue	4	**964.3**	843.0
Cost of sales		**(630.8)**	(556.1)
Gross profit		**333.5**	286.9
Selling, marketing and distribution costs		**(135.2)**	(98.7)
Administrative costs		**(242.4)**	(135.6)
Operating (loss)/profit	5	**(44.1)**	52.6
Operating profit before impairment and loss on disposal of operations		**45.8**	55.0
Impairment of goodwill and property, plant and equipment	13	**(83.9)**	–
Loss on disposal of operations	11	**(6.0)**	(2.4)
Finance cost	7	**(82.5)**	(62.2)
Finance income	7	**1.8**	2.4
Net movement on fair valuation of interest rate financial instruments	7	**(1.2)**	11.6
Share of loss from associates	15	**(9.6)**	–
(Loss)/profit before taxation from continuing operations		**(135.6)**	4.4
Taxation credit/(charge)	8	**42.9**	(51.1)
Loss after taxation from continuing operations		**(92.7)**	(46.7)
Loss from discontinued operations	10	**(30.9)**	(199.2)
Loss for the period/year attributable to owners of the parent		**(123.6)**	(245.9)
Basic and diluted loss per share			
From continuing operations (pence)	9	**(12.7)**	(12.8)
From discontinued operations (pence)	9	**(4.2)**	(54.4)
From loss for the period/year		**(16.9)**	(67.2)
Adjusted earnings per share[2]			
From continuing operations (pence)	9	**9.0**	17.0

1. Comparatives have been restated to reflect the reclassification of certain commercial costs from selling, marketing and distribution costs into revenue, as disclosed in note 2.1.

2. Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 21.4% (2013: 23.25%) divided by the weighted average number of ordinary shares of the Company.

The notes on pages 80 to 127 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

	Note	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Loss for the period/year		**(123.6)**	(245.9)
Other comprehensive income/(losses)			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability	24	**379.3**	(152.7)
Deferred tax (charge)/credit	8	**(75.8)**	8.4
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**(0.6)**	(0.3)
Other comprehensive income/(losses), net of tax		**302.9**	(144.6)
Total comprehensive income/(losses) attributable to owners of the parent		**179.3**	(390.5)

The notes on pages 80 to 127 form an integral part of the consolidated financial statements.

Consolidated balance sheet

	Note	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
ASSETS:			
Non-current assets			
Property, plant and equipment	12	**183.3**	196.3
Goodwill	13	**646.0**	713.9
Other intangible assets	14	**528.4**	575.5
Retirement benefit assets	24	**241.6**	–
Investments in associates	15	**14.4**	–
Loans to associates	16	**20.8**	–
Deferred tax assets	8	**41.9**	72.7
		1,676.4	1,558.4
Current assets			
Assets held for sale	17	**–**	26.8
Inventories	18	**68.8**	68.9
Trade and other receivables	19	**123.5**	248.3
Financial assets — derivative financial instruments	22	**–**	0.5
Cash and cash equivalents	27	**44.7**	157.0
		237.0	501.5
Total assets		**1,913.4**	2,059.9
LIABILITIES:			
Current liabilities			
Liabilities held for sale	17	**–**	(1.4)
Trade and other payables	20	**(212.6)**	(336.7)
Financial liabilities			
— short term borrowings	21	**(42.0)**	(169.1)
— derivative financial instruments	22	**(3.7)**	(9.5)
Provisions for liabilities and charges	23	**(8.6)**	(15.0)
Current income tax liabilities		**(0.7)**	(0.7)
		(267.6)	(532.4)
Non-current liabilities			
Financial liabilities — long term borrowings	21	**(587.6)**	(818.7)
Retirement benefit obligations	24	**(453.4)**	(603.3)
Provisions for liabilities and charges	23	**(51.6)**	(57.2)
Other liabilities	25	**(13.0)**	(30.4)
		(1,105.6)	(1,509.6)
Total liabilities		**(1,373.2)**	(2,042.0)
Net assets		**540.2**	17.9
EQUITY:			
Capital and reserves			
Share capital	26	**82.6**	24.0
Share premium	26	**1,406.4**	1,124.7
Merger reserve	26	**351.7**	404.7
Other reserves	26	**(9.3)**	(9.3)
Profit and loss reserve	26	**(1,291.2)**	(1,526.3)
Capital and reserves attributable to owners of the parent		**540.2**	17.8
Non-controlling interest		**-**	0.1
Total equity		**540.2**	17.9

The notes on pages 80 to 127 form an integral part of the consolidated financial statements.

The financial statements on pages 75 to 127 were approved by the Board of directors on 18 May 2015 and signed on its behalf by:

Gavin Darby
Chief Executive Officer

Alastair Murray
Chief Financial Officer

Consolidated statement of cash flows

	Note	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Cash generated from operations	27	62.5	123.4
Interest paid		(60.9)	(38.5)
Interest received		1.8	2.6
Cash generated from operating activities		3.4	87.5
Sale of businesses		8.3	90.8
Loan notes issued		(15.7)	–
Purchases of property, plant and equipment		(34.1)	(32.6)
Purchases of intangible assets		(7.9)	(7.8)
Sale of property, plant and equipment		1.7	14.8
Cash (used in)/generated from investing activities		(47.7)	65.2
Repayment of borrowings		(771.0)	(93.3)
Proceeds from borrowings		500.0	91.0
Movement in securitisation funding programme		(100.3)	24.3
Financing fees and other costs of finance		(58.3)	(27.5)
Proceeds from share issue		353.4	–
Share issue costs		(13.3)	–
Purchase of own shares		(1.5)	–
Cash used in financing activities		(91.0)	(5.5)
Net (decrease)/increase in cash and cash equivalents		(135.3)	147.2
Cash, cash equivalents and bank overdrafts at beginning of period/year		157.0	9.7
Exchange gains on cash and cash equivalents		–	0.1
Cash, cash equivalents and bank overdrafts at end of period/year	27	21.7	157.0

The notes on pages 80 to 127 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total equity £m
At 1 January 2014		24.0	1,124.7	404.7	(9.3)	(1,526.3)	0.1	17.9
Loss for the period		–	–	–	–	(123.6)	–	(123.6)
Remeasurements of defined benefit liability	24	–	–	–	–	379.3	–	379.3
Deferred tax credit	8	–	–	–	–	(75.8)	–	(75.8)
Exchange differences on translation		–	–	–	–	(0.6)	–	(0.6)
Other comprehensive income		–	–	–	–	302.9	–	302.9
Total comprehensive income		–	–	–	–	179.3	–	179.3
Shares issued		58.6	295.0	–	–	–	–	353.6
Cost of shares issued		–	(13.3)	–	–	–	–	(13.3)
Share-based payments		–	–	–	–	2.8	–	2.8
Disposal of non-controlling interest		–	–	–	–	–	(0.1)	(0.1)
Realisation of merger reserve		–	–	(53.0)	–	53.0	–	–
At 4 April 2015		82.6	1,406.4	351.7	(9.3)	(1,291.2)	–	540.2
At 1 January 2013		24.0	1,124.7	587.5	(9.3)	(1,322.1)	0.1	404.9
Loss for the year		–	–	–	–	(245.9)	–	(245.9)
Remeasurements of defined benefit liability	24	–	–	–	–	(152.7)	–	(152.7)
Deferred tax credit	8	–	–	–	–	8.4	–	8.4
Exchange differences on translation		–	–	–	–	(0.3)	–	(0.3)
Other comprehensive losses		–	–	–	–	(144.6)	–	(144.6)
Total comprehensive losses		–	–	–	–	(390.5)	–	(390.5)
Share-based payments		–	–	–	–	3.5	–	3.5
Realisation of merger reserve		–	–	(182.8)	–	182.8	–	–
At 31 December 2013		24.0	1,124.7	404.7	(9.3)	(1,526.3)	0.1	17.9

The notes on pages 80 to 127 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 and beverage products as described in note 15. Further information about the Group's activities can be found in the At a Glance section of this annual report on page 1. Copies of the annual report and accounts are available from this address.

These Group consolidated financial statements were authorised for issue by the Board of directors on 18 May 2015.

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 years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) ("adopted IFRS") in response to IAS regulation (EC1606/2002), related interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, and on the historical cost basis, with the exception of derivative financial instruments which are incorporated using fair value. Amounts are presented to the nearest £0.1m.

The 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 Group changed its financial year end from the 12 months ended 31 December to the 52 weeks ended on the Saturday closest to 31 March, with effect from the current reporting period ended 4 April 2015. The financial statements for the current reporting period are made up from 1 January 2014 to 4 April 2015 in order to align with the new year end. Therefore, the amounts presented in the current reporting period for the 15 months ended 4 April 2015 are not directly comparable with the amounts presented for the 12 months ended 31 December 2013.

The Group has reclassified certain commercial costs from selling, marketing and distribution costs into revenue during the period, in order to better reflect the costs directly associated with revenue generation. This resulted in a restatement of £13.2m in the prior year comparatives.

The following accounting standards and interpretations, issued by the International Accounting Standards Board ("IASB") or IFRIC (as endorsed by the EU), are effective for the first time in the current financial year and have been adopted by the Group:

International Financial Reporting Standards	
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IAS 27 (Revised)	*Separate Financial Statements*
Amendments to IAS 32	*Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*

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

The following amendments to published standards, effective for periods on or after 1 January 2015, have been endorsed by the EU:

International Financial Reporting Standards	
Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*

2. Accounting policies continued

The following standards and amendments to published standards, effective for periods on or after 1 January 2015, have not been endorsed by the EU:

International Financial Reporting Standards	
IFRS 9	*Financial Instruments*
IFRS 14	*Regulatory Deferral Accounts*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Amendments to IAS 16 and IAS 41	*Bearer Plants*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*

It is not expected that any of the new standards and interpretations that have not been applied will have a material impact on the results, net assets or cash flows of the Group.

Basis for preparation of financial statements on a going concern basis

The Group completed a capital restructure during the period, which included a fully underwritten equity offering of £353m (gross of fees) through a placing and rights issue, the issue of £500m senior secured loan notes and a new £272m revolving credit facility. This facility includes net debt/EBITDA and EBITDA/interest covenants. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw funding to the Group. The Group was in compliance with its covenant tests as at 30 June 2014, 31 December 2014 and 4 April 2015. The Group's forecasts, taking into account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities including covenant tests. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. 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.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. In addition, comparatives are also restated to reclassify material disposed businesses into discontinued operations where appropriate.

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arises when the fair value of the consideration for a business exceeds the fair value of the net assets acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, under which the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss.

2. Accounting policies continued

2.3 Revenue

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

(i) Sale of goods

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

(ii) Sales rebates and discounts

Sales related discounts comprise:

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

Sales rebates and discount accruals are established at the time of sale based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. Accruals are made for each individual promotion or rebate arrangement and are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and timing of the promotion is typically known. Estimation is required for sales volumes/activity and the amount of product sold on promotion.

(iii) Commercial income

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

2.4 Segmental reporting

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

2.5 Share-based payments

The Company operates a number of equity-settled and cash-settled 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, profitability and sales growth 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 sterling, the Group's presentation currency, at rates of exchange ruling at the end of the financial year.

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 re-translation at period end exchange rates of the net investment in foreign subsidiaries are recorded as a separate component of equity in other reserves. When a foreign operation is sold exchange differences previously taken to equity are recognised in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

2. Accounting policies continued

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 20 to 50 years for buildings, 5 to 25 years for plant and equipment and 10 year 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 carrying amount of an item of PPE 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 brought into use, it is depreciated.

The cost and depreciation relating to disposed assets is written off to profit or loss on disposal of PPE.

2.8 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition related costs are recognised in profit or loss as incurred.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The Group has applied IFRS 3 (Revised) "Business Combinations" to business combinations after 1 July 2009. The accounting for business combinations transacted prior to this date have not been restated.

2.9 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.

Research and development

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

Software

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

Software development costs are amortised over their estimated useful lives on a straight-line basis over a range of 5 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.

2. Accounting policies continued

2.10 Impairment

The carrying value 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 reviewed 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 value in use, the estimated future cash flows, adjusted for the risks specific to each asset, are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the general risks affecting the food manufacturing industry.

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

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

2.11 Financing 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.

2.12 Leases

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

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

2.13 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.

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

2.14 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 years.

2. Accounting policies continued

Deferred tax

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

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. It is recognised in the statement of profit or loss except when it relates to items credited or charged directly to other comprehensive income, 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.

2.15 Employee benefits

Group companies provide a number of long-term employee benefit arrangements, primarily through pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds determined by periodic independent actuarial calculations. The Group has both defined benefit and defined contribution plans.

Defined benefit plans

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

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

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

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

Curtailments are recognised as a past service cost when the Group is demonstrably committed to make 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.

Defined contribution plans

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

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

2.16 Provisions

Provisions (for example restructuring or property exit costs) are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate of the amount can be made. In the case of where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. 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. Accounting policies continued

2.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When an outflow becomes probable, it is recognised as a provision.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

2.18 Financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank, cash in hand, short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments and bank overdrafts.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

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

Trade and other payables

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

Equity instruments

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

Derivative financial instruments

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

2. Accounting policies continued

2.19 Non-current assets held for sale

Non-current assets and associated liabilities that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets and associated liabilities are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

2.20 Deferred income

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

3. Critical accounting policies, estimates and judgements

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

3.1 Employee benefits

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

At each reporting date, and on a continuous basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IAS 19 (Revised). Key assumptions used are mortality rates, discount rates and inflation set with reference to bond yields. Each of the underlying assumptions is set out in more detail in note 24.

3.2 Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. The recoverable amounts of CGUs are determined based on the higher of net realisable value and value in use calculations. These calculations require the use of estimates.

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the CGUs carrying values. See note 13 for further details.

Acquired brands, trademarks and licences are considered to have finite lives that range from 20 to 40 years for brands and trademarks, and 10 years for licences. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement. For further details see note 14.

3.3 Advertising and promotion costs

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

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

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

3. Critical accounting policies, estimates and judgements continued

3.4 Deferred tax

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:

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

Further disclosures of the amounts recognised (and unrecognised) are contained within note 8.

4. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the CODM. The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group's operating segments have changed during the period as a result of an internal reorganisation and are now defined as 'Grocery' and 'Sweet Treats'. The Grocery segment, which has been redefined in the period, primarily sells savoury ambient food products and the Sweet Treats segment sells sweet ambient food products.

The CODM uses divisional contribution as the key measure of the segments' results. The definition of divisional contribution has changed in the period to include selling costs and is now 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 prior year comparatives have been restated to reflect this and the change of operating segments.

The Group uses trading profit to review overall group profitability. Trading profit is defined as operating profit before refinancing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39, profits and losses from associates, pension administration costs and net interest on the net defined benefit liability.

4. Segmental analysis continued

The segment results for the period ended 4 April 2015 and for the year ended 31 December 2013 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	Period ended 4 Apr 2015		
	Grocery £m	Sweet Treats £m	Continuing operations £m
Revenue	699.6	264.7	964.3
Divisional contribution	179.6	16.8	196.4
Group and corporate costs			(46.2)
Trading profit			150.2
Amortisation of intangible assets			(47.6)
Fair value movements on foreign exchange and other derivative contracts			(0.6)
Restructuring costs associated with divestment activity			(8.2)
Net interest on pensions and administrative expenses			(48.0)
Operating profit before impairment and loss on disposal of operations			45.8
Impairment of goodwill and property, plant and equipment			(83.9)
Loss on disposal of operations			(6.0)
Operating loss			(44.1)
Finance cost			(82.5)
Finance income			1.8
Net movement on fair valuation of interest rate financial instruments			(1.2)
Share of loss from associates			(9.6)
Loss before taxation from continuing operations			(135.6)
Depreciation	(10.1)	(8.4)	(18.5)

	Year ended 31 Dec 2013 (Restated)[1]		
	Grocery £m	Sweet Treats £m	Continuing operations £m
Revenue	615.4	227.6	843.0
Divisional contribution	158.5	19.7	178.2
Group and corporate costs			(38.7)
Trading profit			139.5
Amortisation of intangible assets			(43.8)
Fair value movements on foreign exchange and other derivative contracts			(1.9)
Restructuring costs associated with divestment activity			(7.3)
Refinancing costs			(0.2)
Net interest on pensions and administrative expenses			(31.3)
Operating profit before loss on disposal of operations			55.0
Loss on disposal of operations			(2.4)
Operating profit			52.6
Finance cost			(62.2)
Finance income			2.4
Net movement on fair valuation of interest rate financial instruments			11.6
Profit before taxation from continuing operations			4.4
Depreciation	(10.9)	(6.4)	(17.3)

1. Comparatives have been restated to reflect the reclassification of certain commercial costs from selling, marketing and distribution costs into revenue, as disclosed in note 2.1.

4. Segmental analysis continued

Revenues in the period ended 4 April 2015, on a continuing basis, from the Group's four principal customers, which individually represent over 10% of total revenue, are £224.4m, £161.2m, £122.4m and £113.6m (Year ended 31 December 2013: £173.4m, £140.0m, £114.1m and £87.3m).

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

The Group primarily supplies the UK market, although it also supplies certain products to other European countries and a number of other countries. 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 — continuing operations

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 (Restated)[1] £m
United Kingdom	925.0	808.1
Other Europe	23.4	21.7
Rest of world	15.9	13.2
Total	964.3	843.0

1. Comparatives have been restated to reflect the reclassification of certain commercial costs from selling, marketing and distribution costs into revenue, as disclosed in note 2.1.

Non-current assets

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
United Kingdom	1,676.4	1,558.4

5. Operating profit for continuing operations

5.1 Analysis of costs by nature

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Employee benefits expense (note 6)	170.5	134.1
Depreciation of property, plant and equipment	18.5	17.3
Amortisation of intangible assets	47.6	43.8
Impairment of property, plant and equipment (note 13)	16.0	–
Impairment of goodwill (note 13)	67.9	–
Loss on disposal of non-current assets	2.5	7.8
Loss on disposal of operations (note 11)	6.0	–
Operating lease rental payments	6.7	5.5
Repairs and maintenance expenditure	27.4	23.4
Research and development costs	6.7	4.2
Net foreign exchange gain	–	(0.2)
Past service credit relating to defined benefit schemes	–	(22.3)
Charge relating to restructuring and onerous lease provisions	8.2	7.3
Refinancing costs	–	0.2
Auditors' remuneration	0.9	1.0

Operating lease commitments are further disclosed in note 28.

5. Operating profit for continuing operations continued

5.2 Auditors' remuneration

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	0.3	0.4
Fees payable to the Company's auditors and its associates for other services:		
— The audit of the Company's subsidiaries, pursuant to legislation	0.1	0.2
— Other services relating to taxation	–	0.1
— Services relating to corporate finance transactions	0.5	0.3
Total auditors' remuneration	0.9	1.0

The total operating profit charge for auditors' remuneration was £0.7m (2013: £1.0m).

6. Employees

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Employee benefits expense — continuing operations		
Wages and salaries	(141.1)	(129.9)
Social security costs	(15.1)	(13.3)
Termination benefits	(2.6)	(1.1)
Share options granted to directors and employees	(4.7)	(4.1)
Contributions to defined contribution schemes (note 24)	(7.0)	(2.0)
Credit for defined benefit schemes (note 24)	–	16.3
Total – continuing operations	(170.5)	(134.1)
Employee benefits expense - discontinued operations		
Wages and salaries	(36.4)	(142.6)
Social security costs	(4.1)	(13.2)
Termination benefits	(0.5)	(9.9)
Share options granted to directors and employees	(0.9)	(0.6)
Contributions to defined contribution schemes (note 24)	(1.5)	(1.4)
Credit for defined benefit schemes (note 24)	–	8.7
Total — discontinued operations	(43.4)	(159.0)
Total — continuing and discontinued operations	(213.9)	(293.1)

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

	2014/15 Number	2013 Number
Average monthly number of people employed — continuing operations		
Management	600	720
Administration	382	501
Production, distribution and other	2,866	3,062
Total – continuing operations	3,848	4,283
Average monthly number of people employed — discontinued operations[1]		
Management	604	516
Administration	234	211
Production, distribution and other	3,065	3,369
Total — discontinued operations	3,903	4,096
Total — continuing and discontinued operations	7,751	8,379

1. Discontinued operations employee numbers relate to the period prior to disposal of the Bread business on 26 April 2014.

Directors' remuneration is disclosed in the audited section of the Annual Report on Remuneration on pages 55 to 61, which form part of these financial statements.

Notes to the financial statements

7. Finance income and costs

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Interest payable on bank loans and overdrafts	(7.8)	(7.7)
Interest payable on term facility	(7.2)	(17.4)
Interest payable on senior secured notes	(32.3)	–
Interest payable on revolving facility	(7.0)	(5.8)
Interest payable on interest rate derivatives	(2.9)	(7.2)
Other interest receivable/(payable)	0.3	(1.4)
Amortisation of debt issuance costs	(4.3)	(6.4)
Deferred fees[1]	(6.7)	(16.3)
	(67.9)	(62.2)
Write-off of financing costs[2]	(14.6)	–
Total finance cost	(82.5)	(62.2)
Interest receivable on bank deposits	1.8	2.4
Total finance income	1.8	2.4
Movement on fair valuation of interest rate derivatives	(1.2)	11.6
Net finance cost	(81.9)	(48.2)

1. Relates to accrual of deferred interest relating to the Group's previous financing arrangements.

2. Relates to the write-off of debt issuance costs relating to the Group's previous financing arrangements.

The net movement on fair valuation of interest rate financial instruments relates to a £1.2m adverse movement on interest rate swaps held (2013: £11.6m favourable).

8. Taxation

Current tax

	Continuing operations £m	Discontinued operations £m	Total £m
2014/15			
Deferred tax			
– Current year	42.3	2.1	44.4
– Prior years	0.6	–	0.6
Income tax credit for the period	42.9	2.1	45.0
2013			
Deferred tax			
– Current year	(52.7)	37.9	(14.8)
– Prior years	3.2	–	3.2
– Adjustment to restate opening deferred tax at 20.0%	(1.6)	5.6	4.0
Income tax (charge)/credit for the year	(51.1)	43.5	(7.6)

As a result of the 2013 Finance Act provision to reduce the UK corporation tax rate from 23% to 21% from 1 April 2014 the applicable rate of corporation tax for the period is 21.4%. As a result of the 2013 Finance Act provision to reduce the UK corporation tax rate to 20% from 1 April 2015 deferred tax balances have been restated at 20%, the rate at which they are expected to reverse.

Tax relating to items recorded in other comprehensive income for continuing operations was:

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Deferred tax charge on reduction of corporate tax rate	–	(13.3)
Deferred tax (charge)/credit on pension movements	(75.8)	28.3
Deferred tax charge on losses	–	(6.6)
	(75.8)	8.4

8. Taxation continued

The tax charge for the period differs from the standard rate of corporation tax in the United Kingdom of 21.4% (2013: 23.25%). The reasons for this are explained below:

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
(Loss)/profit before taxation for continuing operations	(135.6)	4.4
Tax credit/(charge) at the domestic income tax rate of 21.4% (2013: 23.25%)	29.0	(1.0)
Tax effect of:		
Non-deductible items	(1.0)	(0.3)
Other disallowable items	(1.3)	(0.5)
Impairment of goodwill	(14.5)	–
Share of loss from associates	(2.1)	–
Previously unrecognised advanced capital allowances	(9.6)	–
Adjustment for share-based payments	(1.0)	(1.0)
Previously unrecognised losses utilised	7.3	3.3
Capital gain on disposal of business	–	(3.3)
Adjustment due to current period/year deferred tax being provided at 20% (2013: 20%)	(1.1)	0.4
Movements in losses recognised	36.6	(52.2)
Adjustment to restate opening deferred tax at 20% (2013: 20%)	–	(1.6)
Adjustments to prior years	0.6	3.2
Deferred tax released on disposal of properties	–	1.9
Income tax credit/(charge)	**42.9**	(51.1)

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 20% (2013: 20%) except for an asset of £2.0m (2013: £0.5m) relating to Irish retirement benefit obligations where the local rate of 12.5% has been used.

	2014/15 £m	2013 £m
At 1 January	72.7	71.9
Credited/(charged) to the statement of profit or loss	45.0	(7.6)
(Charged)/credited to other comprehensive income	(75.8)	8.4
At 4 April/31 December	**41.9**	72.7

Due to the level of taxable profits anticipated the Group has not recognised deferred tax assets of £14.9m (2013: £14.9m) relating to capital losses, £43.0m (2013: £95.9m) relating to UK corporation tax losses and £24.9m (2013: £24.9m) relating to ACT. Under current legislation these losses can generally be carried forward indefinitely.

Deferred tax liabilities

	Intangibles £m	Other £m	Total £m
At 1 January 2013	(100.0)	(4.6)	(104.6)
Prior year restatement of opening balances	11.4	0.6	12.0
Current year credit	3.8	–	3.8
Prior year charge	(0.3)	–	(0.3)
Deferred tax credit on discontinued activities	12.1	–	12.1
At 31 December 2013	**(73.0)**	**(4.0)**	**(77.0)**
Current period credit	3.1	–	3.1
Prior year charge	0.1	–	0.1
At 4 April 2015	**(69.8)**	**(4.0)**	**(73.8)**

Notes to the financial statements

8. Taxation continued

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 1 January 2013	(6.2)	106.0	0.3	47.9	28.5	–	176.5
Prior year restatement of opening balances							
— To statement of profit or loss	(3.2)	(1.2)	(0.1)	(6.3)	(2.8)	–	(13.6)
— To other comprehensive income	–	(12.3)	–	–	(1.0)	–	(13.3)
Current year credit/(charge)	3.5	(0.5)	0.7	(1.9)	(58.3)	–	(56.5)
Prior year credit/(charge)	–	0.4	0.1	(37.2)	40.2	–	3.5
Credited/(charged) to other comprehensive income	–	28.3	–	–	(6.6)	–	21.7
Deferred tax credit on discontinued activities	31.4	–	–	–	–	–	31.4
At 31 December 2013	**25.5**	**120.7**	**1.0**	**2.5**	**–**	**–**	**149.7**
Current period (charge)/credit	**(5.0)**	**(2.0)**	**(0.4)**	**0.4**	**41.9**	**4.3**	**39.2**
Prior year credit							
— To statement of profit or loss	**0.2**	**0.1**	**0.2**	**–**	**–**	**–**	**0.5**
— To other comprehensive income	**–**	**0.8**	**–**	**–**	**–**	**–**	**0.8**
Charged to other comprehensive income	**–**	**(76.6)**	**–**	**–**	**–**	**–**	**(76.6)**
Deferred tax credit on discontinued activities	**2.1**	**–**	**–**	**–**	**–**	**–**	**2.1**
At 4 April 2015	**22.8**	**43.0**	**0.8**	**2.9**	**41.9**	**4.3**	**115.7**

Net deferred tax asset

At 4 April 2015	**41.9**
At 31 December 2013	72.7

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

9. Earnings/(loss) per share

Basic loss per share has been calculated by dividing the loss attributable to owners of the parent of £123.6m (2013: £245.9m loss) by the weighted average number of ordinary shares of the Company.

	Period ended 4 Apr 2015			Year ended 31 Dec 2013 (Restated)[1]		
	Basic	Dilutive effect of share options	Diluted	Basic	Dilutive effect of share options	Diluted
Continuing operations						
Loss after tax (£m)	(92.7)		(92.7)	(46.7)		(46.7)
Weighted average number of shares (m)	731.4	–	731.4	366.1	–	366.1
Loss per share (pence)	(12.7)	–	(12.7)	(12.8)	–	(12.8)
Discontinued operations						
Loss after tax (£m)	(30.9)		(30.9)	(199.2)		(199.2)
Weighted average number of shares (m)	731.4	–	731.4	366.1	–	366.1
Loss per share (pence)	(4.2)	–	(4.2)	(54.4)	–	(54.4)
Total						
Loss after tax (£m)	(123.6)		(123.6)	(245.9)		(245.9)
Weighted average number of shares (m)	731.4	–	731.4	366.1	–	366.1
Loss per share (pence)	(16.9)	–	(16.9)	(67.2)	–	(67.2)

1. Comparatives have been restated to reflect the dilutive effect of the rights issue in the period.

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. 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 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.

	2014/15 Number	2013 (Restated)[1] Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	731,390,308	366,149,872
Effect of dilutive potential ordinary shares:		
— Share options	1,906,379	692,235
Weighted average number of ordinary shares for the purpose of diluted earnings per share	733,296,687	366,842,107

1. Comparatives have been restated to reflect the dilutive effect of the rights issue in the period.

Given that the Group made a loss in the year there is no dilutive effect of share options

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9. Earnings/(loss) per share continued

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 21.4% (2013: 23.25%) divided by the weighted average number of ordinary shares of the Company.

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

Trading profit and Adjusted EPS have been reported as the directors believe these provide an alternative measure by which the shareholders can better assess the Group's underlying trading performance.

	Period ended 4 Apr 2015
	Continuing operations £m
Operating loss	(44.1)
Impairment of goodwill and property, plant and equipment	83.9
Loss on disposal of operations	6.0
Operating profit before impairment and loss on disposal of operations	45.8
Net interest on pension and administrative expenses	48.0
Fair value movements on foreign exchange and other derivative contracts	0.6
Amortisation of intangible assets	47.6
Restructuring costs associated with divestment activity	8.2
Trading profit	150.2
Less net regular interest	(66.4)
Adjusted profit before tax	83.8
Notional tax at 21.4%	(17.9)
Adjusted profit after tax	65.9
Average shares in issue (m)	731.4
Adjusted EPS (pence)	9.0
Net regular interest	
Net finance cost	(81.9)
Exclude fair value adjustments on interest rate financial instruments	1.2
Exclude write-off of financing costs	14.6
Exclude other interest	(0.3)
Net regular interest	(66.4)

9. Earnings/(loss) per share continued

	Year ended 31 Dec 2013 (Restated)[1] Continuing operations £m
Operating profit	52.6
Loss on disposal of operations	2.4
Operating profit before loss on disposal of operations	55.0
Net interest on pension and administrative expenses	31.3
Fair value movements on foreign exchange and other derivative contracts	1.9
Amortisation of intangible assets	43.8
Restructuring costs associated with divestment activity	7.3
Refinancing costs	0.2
Trading profit	139.5
Less net regular interest	(58.4)
Adjusted profit before tax	81.1
Notional tax at 23.25%	(18.9)
Adjusted profit after tax	62.2
Average shares in issue (m)	366.1
Adjusted EPS (pence)	17.0
Net regular interest	
Net finance cost	(48.2)
Exclude fair value adjustments on interest rate financial instruments	(11.6)
Exclude other interest	1.4
Net regular interest	(58.4)

1. Comparatives have been restated to reflect the dilutive effect of the rights issue in the period.

10. Discontinued operations

Income and expenditure incurred on discontinued operations during the period comprises the Bread business, in light of the completion of the sale of the Group's majority share in this business on 26 April 2014.

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Revenue	**177.5**	654.6
Operating expenses	**(188.6)**	(662.9)
Operating loss before impairment and loss on disposal of operations	**(11.1)**	(8.3)
Impairment	**(10.9)**	(234.4)
Loss on disposal of operations	**(8.6)**	–
Operating loss	**(30.6)**	(242.7)
Finance cost	**(2.4)**	–
Loss before taxation	**(33.0)**	(242.7)
Taxation credit	**2.1**	43.5
Loss after taxation from discontinued operations	**(30.9)**	(199.2)

During the period, discontinued operations contributed to a net outflow of £7.8m (2013: £14.7m inflow) to the Group's operating cash flows, a net inflow of £5.7m (2013: £3.8m inflow) to investing activities and £nil (2013: £nil) to financing activities.

11. Disposal of businesses

On 26 April 2014 the Group completed the transaction with the Gores Group which led to the disposal of the Group's majority share in the Bread business. The Bread business is classified as a discontinued operation for the period up to the date of sale and the loss on disposal is included in discontinued operations. The investment in associates of £14.4m has been recognised at the fair value of the 49% retained share in the Bread business, based on the initial cash consideration of £15.0m being received for 51% of the business.

On 28 June 2014 the Group completed the transaction with Specialty Powders Holdings Limited which led to the disposal of the Group's majority share in the Powdered Beverages and Desserts business. This is not a discontinued operation as it was previously integrated and reported as part of the Grocery business. The loss on disposal is included within continuing operations. The investment in associates and loans to associates totalling £13.1m have been recognised at the fair value of the assets that transferred to the associate as part of the disposal transaction.

	Bread £m	Powdered Beverages and Desserts £m
Net cash flow arising on disposal:		
Initial consideration	15.0	–
Working capital adjustments and transaction costs	(12.7)	(0.7)
Net cash inflow/(outflow) for the period	2.3	(0.7)
Property, plant and equipment	3.5	13.9
Inventories	22.5	4.5
Trade and other receivables	0.6	–
Trade and other payables	(1.3)	–
Net assets disposed	25.3	18.4
Investments in associates	14.4	9.6
Loans to associates	–	3.5
Loss on disposal before tax	(8.6)	(6.0)

12. Property, plant and equipment

	Land and buildings £m	Vehicles, plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 1 January 2013	194.3	411.5	26.8	632.6
Additions	–	0.2	27.8	28.0
Disposals	(17.0)	(19.5)	–	(36.5)
Transferred to intangible assets and transferred into use	2.5	19.9	(27.9)	(5.5)
At 31 December 2013	**179.8**	**412.1**	**26.7**	**618.6**
Additions	**0.7**	**4.5**	**31.6**	**36.8**
Disposals	**(82.2)**	**(201.3)**	**(3.8)**	**(287.3)**
Transferred into use	**–**	**25.4**	**(25.4)**	**–**
At 4 April 2015	**98.3**	**240.7**	**29.1**	**368.1**
Aggregate depreciation and impairment				
At 1 January 2013	(45.6)	(210.0)	(2.8)	(258.4)
Depreciation charge	(3.6)	(29.2)	–	(32.8)
Disposals	9.1	15.3	–	24.4
Impairment charge	(71.8)	(83.7)	–	(155.5)
At 31 December 2013	**(111.9)**	**(307.6)**	**(2.8)**	**(422.3)**
Depreciation charge	**(2.7)**	**(15.8)**	**–**	**(18.5)**
Disposals	**79.4**	**192.6**	**–**	**272.0**
Impairment charge	**(0.4)**	**(15.6)**	**–**	**(16.0)**
At 4 April 2015	**(35.6)**	**(146.4)**	**(2.8)**	**(184.8)**
Net book value				
At 31 December 2012	148.7	201.5	24.0	374.2
At 31 December 2013	67.9	104.5	23.9	196.3
At 4 April 2015	**62.7**	**94.3**	**26.3**	**183.3**

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

Impairment charge

An impairment charge of £16.0m was recognised in the first half of 2014/15 against property, plant and equipment relating to a reduction in the recoverable value of certain assets in the Grocery business.

An impairment charge of £155.5m was recognised in 2013 against property, plant and equipment due to the write-down of the Bread business to fair value less costs to sell in light of the announcement of the conditional sale of the Group’s majority share in this business on 27 January 2014.

13. Goodwill

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Carrying value		
Opening balance	713.9	713.9
Impairment charge	(67.9)	–
Closing balance	646.0	713.9

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

	As at 4 Apr 2015 £m	As at 31 Dec 2013 (Restated)[1] £m
Grocery	646.0	646.0
Sweet Treats	–	67.9
Net carrying value of goodwill	646.0	713.9

1. Comparatives have been restated to reflect the reclassification of the Group's operating segments, as disclosed in note 4.

Impairment tests for goodwill

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amount of a CGU is determined based on value in use calculations or fair value less costs to sell, depending on the way in which the value of the CGU is expected to be recovered.

Key assumptions

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

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on the latest approved management forecasts in respect of the following four years, the first of which being the Board approved budget. 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 gross profit percentage.

Revenue growth is forecast based on known or forecast customer sales initiatives, including, to the extent agreed, customer joint business plans for the next twelve months, 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 four year forecast period is 1.4%.

Gross profit percentage is forecast based on the projected mix of branded and non-branded sales, manufacturing costs, raw material input costs and purchasing initiatives.

Long-term growth rate assumptions

The four year management forecasts are extrapolated in perpetuity using growth assumptions relevant for the business sector. The growth rate applied of 2.2% (2013: 2.4%) is based on the long term growth in UK GDP as the directors believe that food consumption would be expected 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 both CGUs.

Discount rate assumptions

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

The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. At 4 April 2015, the pre-tax rate used to discount the forecasted cash flows has been determined to be 10.4% (2013: 11.3%). The discount rate is common to both CGUs.

13. **Goodwill** continued

Sensitivity analysis

Due to the fact that the Sweet Treats goodwill was fully written off in the period there is no headroom and the carrying value of the CGU is therefore sensitive to changes in the key assumptions used to calculate its value in use. An illustration of the sensitivity to reasonably possible changes in key assumptions is as follows:

	Reasonably possible change in assumption	Impact on value in use
Revenue growth	Increase/decrease by 2.0%	Increase/decrease by £23.1m/£21.9m
Gross profit percentage	Increase/decrease by 2.0%	Increase/decrease by £20.0m/£20.0m
Long term growth rate	Increase/decrease by 0.4%	Increase/decrease by £7.4m/£6.7m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £10.0m/£11.3m

The sensitivities detailed above were also applied to the Grocery CGU as follows:

	Reasonably possible change in assumption	Impact on value in use
Revenue growth	Increase/decrease by 2.0%	Increase/decrease by £127.9m/£121.0m
Gross profit percentage	Increase/decrease by 2.0%	Increase/decrease by £84.2m/£76.3m
Long term growth rate	Increase/decrease by 0.4%	Increase/decrease by £58.0m/£52.7m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £79.5m/£89.6m

Impairment charge

A total impairment charge of £83.9m was recognised in continuing operations in 2014/15, comprising goodwill allocated to the Sweet Treats CGU (£67.9m) and property, plant and equipment relating to a reduction in the recoverable value of certain assets in the Grocery business (£16.0m). A total impairment charge of £10.9m was recognised in discontinued operations in 2014/15 due to the write-down of software (£6.8m) and inventory (£4.1m) associated with the Bread business.

A total impairment charge of £234.4m was recognised in 2013 primarily against property, plant and equipment and other intangible assets allocated to the Bread CGU. This was due to the write down of the Bread business to fair value less costs to sell in light of the announcement of the conditional sale of the Group's majority share in this business on 27 January 2014.

	Goodwill £m	Property, plant and equipment £m	Other intangible assets £m	Other assets £m	Total £m
2014/15					
Continuing operations:					
Grocery	–	16.0	–	–	16.0
Sweet Treats	67.9	–	–	–	67.9
Total continuing operations	67.9	16.0	–	–	83.9
Discontinued operations:					
Bread	–	–	6.8	4.1	10.9
Total	67.9	16.0	6.8	4.1	94.8
2013					
Discontinued operations:					
Bread	–	155.5	66.9	12.0	234.4

Notes to the financial statements

14. Other intangible assets

	Software £m	Brands/ trademarks/ licences £m	Customer relationships £m	Assets under construction £m	Total £m
Cost					
At 1 January 2013	150.0	841.2	134.8	17.1	1,143.1
Additions	–	–	–	5.8	5.8
Disposals	(17.5)	–	–	–	(17.5)
Transferred from PPE and transferred into use	7.3	12.0	–	(13.8)	5.5
At 31 December 2013	**139.8**	**853.2**	**134.8**	**9.1**	**1,136.9**
Additions	**0.1**	**–**	**–**	**9.8**	**9.9**
Disposals	**(32.9)**	**(160.0)**	**–**	**–**	**(192.9)**
Transferred into use	**7.8**	**–**	**–**	**(7.8)**	**–**
At 4 April 2015	**114.8**	**693.2**	**134.8**	**11.1**	**953.9**
Accumulated amortisation and impairment					
At 1 January 2013	(73.0)	(266.4)	(126.7)	–	(466.1)
Disposals	17.5	–	–	–	17.5
Amortisation charge	(12.1)	(27.6)	(6.2)	–	(45.9)
Impairment charge	(14.3)	(52.6)	–	–	(66.9)
At 31 December 2013	**(81.9)**	**(346.6)**	**(132.9)**	**–**	**(561.4)**
Disposals	**30.3**	**160.0**	**–**	**–**	**190.3**
Amortisation charge	**(13.3)**	**(32.4)**	**(1.9)**	**–**	**(47.6)**
Impairment charge	**(6.8)**	**–**	**–**	**–**	**(6.8)**
At 4 April 2015	**(71.7)**	**(219.0)**	**(134.8)**	**–**	**(425.5)**
Net book value					
At 31 December 2012	77.0	574.8	8.1	17.1	677.0
At 31 December 2013	57.9	506.6	1.9	9.1	575.5
At 4 April 2015	**43.1**	**474.2**	**–**	**11.1**	**528.4**

Brands, trademarks and licences are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 20 to 40 years for brands and trademarks, and 10 years for licences. Software is amortised on a straight-line basis over its estimated useful life of 5 to 10 years. All amortisation is recognised within administrative costs.

Included in the assets under construction additions for the period are £6.5m (2013: £1.7m) of internal costs.

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

14. Other intangible assets continued

Impairment charge

An impairment charge of £6.8m was recognised in discontinued operations in 2014/15 due to the write-down of software associated with the Bread business.

An impairment charge of £66.9m was recognised in 2013 against other intangible assets due to the write-down of the Bread business to fair value less costs to sell in light of the announcement of the conditional disposal of the Group's majority share in this business on 27 January 2014.

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

	Carrying value at 4 April 2015 £m	Estimated useful life remaining Years
Bisto	131.8	22
OXO	86.2	32
Batchelors	69.0	22
Sharwoods	62.2	22
Mr. Kipling	51.1	22

15. Investments

The Group disposed of its majority interest in the Bread business and Powdered Beverages and Desserts business in the period, as disclosed in note 11. The Group's 49% retained interest in the share capital of these businesses has been recognised as an investment in associates and the carrying value of these investments are given in the table below.

	Hovis Limited £m	Knighton Foods Limited £m	Total £m
At 1 January 2014	–	–	–
Additions	14.4	9.6	24.0
Share of loss from associates	(8.9)	(0.7)	(9.6)
At 4 April 2015	5.5	8.9	14.4

Principal subsidiaries and associates

	Country of incorporation or registration and principal operations	Principal activity	Effective interest in ordinary share capital At 5 Apr 2015	Effective interest in ordinary share capital At 31 Dec 2013
Operating subsidiaries				
Premier Foods Group Limited	United Kingdom	Manufacture and distribution of ambient food products	100%	100%
Premier Foods Group Services Limited	United Kingdom	Head office company	100%	100%
Other subsidiaries				
Premier Foods Investments Limited	United Kingdom	Financing company	100%	100%
Premier Foods Finance plc	United Kingdom	Financing company	100%	–
Associates				
Hovis Limited	United Kingdom	Manufacture and distribution of bread products	49%	–
Knighton Foods Limited	United Kingdom	Manufacture and distribution of powdered beverages and desserts products	49%	–

Each of the principal subsidiary undertakings has the same period end as Premier Foods plc. The companies listed above are those that materially affect the results and the assets of the Group. The Company has taken advantage of s.410 (2) of the Companies Act 2006 and in accordance a full list of subsidiary undertakings will be annexed to the Company's next annual return.

16. Loans to associates

The Group issued a loan note to Hovis Limited for £15.7m in the period. The value at 4 April 2015 of £17.1m includes interest accrued to date. As part of the Powdered Beverages and Desserts business disposal transaction, the Group holds a promissory note from Knighton Foods of £3.5m. The value at 4 April 2015 of £3.7m includes interest accrued to date.

	Hovis Limited £m	Knighton Foods Limited £m	Total £m
At 1 January 2014	–	–	–
Additions	15.7	3.5	19.2
Interest receivable	1.4	0.2	1.6
At 4 April 2015	17.1	3.7	20.8

17. Assets and liabilities held for sale

As at 4 April 2015 no assets or liabilities were held for sale.

As at 31 December 2013 the assets and associated liabilities relating to the Bread business were held for sale in light of the announcement of the conditional sale of the Group's majority share in this business on 27 January 2014. The disposal completed on 26 April 2014. On recognition of the assets and liabilities as held for sale, an impairment loss of £234.4m was recognised in order to write down the disposal group to fair value less costs to sell. Management assessed fair value less costs to sell based on the initial cash consideration of £15.0m being received for 51% of the business, less estimated costs to sell.

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Current assets:		
Inventories	–	25.0
Trade and other receivables	–	1.8
Total assets held for sale	–	26.8
Current liabilities:		
Trade and other payables	–	(1.4)
Total liabilities held for sale	–	(1.4)
Net assets and liabilities held for sale	–	25.4

18. Inventories

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Raw materials	11.0	18.2
Work in progress	1.8	2.7
Finished goods and goods for resale	56.0	48.0
Total inventories	68.8	68.9

Inventory write-offs in the period amounted to £7.9m (2013: £16.4m)

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

19. Trade and other receivables

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Trade receivables	134.2	254.2
Trade receivables provided for	(29.5)	(29.4)
Net trade receivables	104.7	224.8
Prepayments	10.1	13.1
Other tax and social security receivable	7.7	0.2
Other receivables	1.0	10.2
Total trade and other receivables	123.5	248.3

The borrowings of the Group are secured against all the assets of the Group including trade and other receivables. The Group has benefited from a £120m securitisation programme to allow it to borrow against trade receivable balances. Further details of the securitisation programme are disclosed in note 21 to the Group's consolidated financial statements.

20. Trade and other payables

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Trade payables	(140.2)	(192.6)
Commercial accruals	(44.2)	(76.2)
Tax and social security payables	(5.1)	(16.3)
Other payables and accruals	(23.1)	(51.6)
Total trade and other payables	(212.6)	(336.7)

21. Bank and other borrowings

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Current:		
Secured senior credit facility — revolving	–	(17.6)
Transaction costs	–	0.3
	–	(17.3)
Secured senior credit facility — term	–	(32.4)
Transaction costs	–	0.6
	–	(31.8)
Bank overdrafts	(23.0)	–
Total bank borrowings due within one year	(23.0)	(49.1)
Securitisation facility	(19.7)	(120.0)
Transaction costs	0.7	–
	(19.0)	(120.0)
Total borrowings due within one year	(42.0)	(169.1)
Non-current:		
Secured senior credit facility — revolving	(113.0)	(186.9)
Transaction costs	8.3	3.4
	(104.7)	(183.5)
Secured senior credit facility — term	–	(647.1)
Transaction costs	–	11.9
	–	(635.2)
Senior secured notes	(500.0)	–
Transaction costs	17.1	–
	(482.9)	–
Total borrowings due after more than one year	(587.6)	(818.7)
Total bank and other borrowings	(629.6)	(987.8)

Notes to the financial statements

21. Bank and other borrowings continued

Following completion of the capital restructuring in 2014, the Group's previous term loan and revolving credit facilities were repaid to the respective lenders and replaced by a revolving credit facility and senior secured notes.

Revolving credit facility

The revolving credit facility of £272m is due to mature in March 2019 and attracts an initial bank margin of 3.50% above LIBOR. Banking covenants of net debt/EBITDA and EBITDA/interest are in place and are tested biannually.

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

Securitisation facility

The debtor's securitisation facility is secured against the Group's trade receivables. It is a three year programme maturing in December 2016, with a £120m facility priced at 2.75% above the cost of commercial paper.

Senior secured notes

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

22. 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 Treasury 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 presentation currency is sterling although some transactions are executed in non-sterling currencies, including euros and US dollars. 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's Treasury 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	Period ended 4 Apr 2015	Year ended 31 Dec 2013
Year end	1.3678	1.2006
Average	1.2636	1.1796

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

22. Financial instruments continued

The table below shows the Group's currency exposures as at 4 April 2015 and 31 December 2013 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 £m
At 4 April 2015	
Net foreign currency monetary assets:	
— Euro	**(7.5)**
— US dollar	**0.1**
Total	**(7.4)**
At 31 December 2013	
Net foreign currency monetary assets:	
— Euro	(1.6)
— US dollar	0.6
Total	(1.0)

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 4 Apr 2015 £m	As at 31 Dec 2013 £m
Euro	**(26.8)**	(38.0)
US dollar	**(3.6)**	(18.4)
Total	**(30.4)**	(56.4)

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 decrease by £0.4m (2013: £2.2m decrease).

If the US dollar were to strengthen against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would increase by £0.5m (2013: £1.2m increase).

If the euro were to weaken against sterling by 10 euro cents, with all other variables held constant, profit after tax would decrease by £1.0m (2013: £2.7m 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 £1.1m (2013: £1.9m increase).

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

(ii) Commodity price risk

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

22. Financial instruments continued

(iii) Interest rate risk

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

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

The gross cash flows on the interest rate derivatives are sensitive to changes in interest rates as they are driven by three month LIBOR which is reset on a quarterly basis. As at 4 April 2015 the reset rate was 0.564% (2013: 0.526%).

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

	Weighted average interest rate %
At 4 April 2015	**1.4**
At 31 December 2013	1.6

Fixed rate derivative financial liabilities constitute two (2013: one) floating to fixed interest rate swaps with a notional value of £75m each and a total notional value of £150m (2013: £620m). These mature over a three year period.

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

At 4 April 2015, for every 50 basis points reduction in rates below the last floating reset rate of 0.564% (2013: 0.526%) (based on three month LIBOR) with all other variables held constant, annualised net interest expense would decrease by £0.6m (2013: £0.8m decrease).

At 4 April 2015, if interest rates were 200 basis points higher than the last floating reset rate of 0.564% (2013: 0.526%) (based on three month LIBOR), with all other variables held constant, annualised net interest expense would increase by £2.2m (2013: £3.2m increase).

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

22. Financial instruments continued

(b) Credit risk

The Group's principal financial assets are cash and cash deposits 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 4 April 2015, trade and other receivables of £16.0m (2013: £57.2m) were past due but not impaired. These relate to customers with whom there is no history of default.

The ageing of trade and other receivables was as follows:

		Past due					
	Fully performing £m	1–30 days £m	31–60 days £m	61–90 days £m	91–120 days £m	120+ days £m	Total £m
Trade and other receivables							
At 4 April 2015	**89.7**	**1.6**	**7.2**	**–**	**3.0**	**4.2**	**105.7**
At 31 December 2013	177.8	20.0	10.3	7.2	6.6	13.1	235.0

At 4 April 2015, trade and other receivables of £29.5m (2013: £29.4m) 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:

	2014/15 £m	2013 £m
At 1 January	**29.4**	16.3
Receivables written off during the year as uncollectable	**(13.0)**	(0.6)
Provision for receivables impairment raised	**13.1**	13.7
At 4 April/31 December	**29.5**	29.4

The Group has benefited from a £120m securitisation programme to allow it to borrow against trade receivable balances.

(c) Liquidity risk

The Group manages liquidity risk through both the treasury and finance functions. 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.

Notes to the financial statements

22. Financial instruments continued

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 4 April 2015							
Trade and other payables	**(207.5)**	**–**	**–**	**–**	**–**	**–**	**(207.5)**
Bank overdraft	**(23.0)**	**–**	**–**	**–**	**–**	**–**	**(23.0)**
Senior secured notes — fixed	**–**	**–**	**–**	**–**	**–**	**(325.0)**	**(325.0)**
Senior secured notes — floating	**–**	**–**	**–**	**–**	**(175.0)**	**–**	**(175.0)**
Secured senior credit facility — revolving	**–**	**–**	**–**	**(113.0)**	**–**	**–**	**(113.0)**
Securitisation facility	**–**	**(19.7)**	**–**	**–**	**–**	**–**	**(19.7)**
At 31 December 2013							
Trade and other payables	(320.4)	–	–	–	–	–	(320.4)
Bank term loan	(50.0)	(60.0)	–	(569.5)	–	–	(679.5)
Secured senior credit facility — revolving	–	–	–	(204.5)	–	–	(204.5)
Securitisation facility	(120.0)	–	–	–	–	–	(120.0)

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 4 April 2015 the Group had £120.8m (2013: £275.2m) of facilities not drawn expiring between three and four years (2013: 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 0.564% (2013: 0.526%) 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 4 April 2015	**14.1**	**12.0**	**10.0**	**9.7**	**9.7**	**–**	**55.5**
At 31 December 2013	32.7	31.0	14.8	–	–	–	78.5

22. Financial instruments continued

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 4 April 2015							
Forward foreign exchange contracts:							
— Outflow	**(30.4)**	**–**	**–**	**–**	**–**	**–**	**(30.4)**
— Inflow	**29.3**	**–**	**–**	**–**	**–**	**–**	**29.3**
Commodities:							
— Outflow	**(7.5)**	**–**	**–**	**–**	**–**	**–**	**(7.5)**
Interest rate swaps:							
— Outflow	**(2.0)**	**(1.3)**	**(0.7)**	**–**	**–**	**–**	**(4.0)**
— Inflow	**0.8**	**0.5**	**0.3**	**–**	**–**	**–**	**1.6**
	(9.8)	**(0.8)**	**(0.4)**	**–**	**–**	**–**	**(11.0)**
At 31 December 2013							
Forward foreign exchange contracts:							
— Outflow	(56.4)	–	–	–	–	–	(56.4)
— Inflow	54.7	–	–	–	–	–	54.7
Commodities:							
— Outflow	(7.0)	–	–	–	–	–	(7.0)
Interest rate swaps:							
— Outflow	(10.0)	(8.8)	(3.9)	–	–	–	(22.7)
— Inflow	3.3	2.9	1.3	–	–	–	7.5
	(15.4)	(5.9)	(2.6)	–	–	–	(23.9)

The above table incorporates the contractual cash flows of the interest rate derivatives with floating rates of interest calculated based on LIBOR of 0.564% (2013: 0.526%) at the balance sheet date.

(d) Fair value

The following table shows the carrying amounts of the Group's financial assets and financial liabilities. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Carrying amount approximates to fair value for all assets and liabilities held at amortised cost, with the exception of the senior secured notes, which are listed debt.

22. Financial instruments continued

	As at 4 Apr 2015 Carrying amount £m	As at 4 Apr 2015 Fair value £m	As at 31 Dec 2013 Carrying amount £m	As at 31 Dec 2013 Fair value £m
Loans and receivables:				
Cash and cash equivalents	44.7	44.7	157.0	157.0
Trade and other receivables	105.7	105.7	235.0	235.0
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
— Forward foreign currency exchange contracts	–	–	0.2	0.2
— Commodity and energy derivatives	–	–	0.3	0.3
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
— Forward foreign currency exchange contracts	(0.9)	(0.9)	(1.9)	(1.9)
— Commodity and energy derivatives	(1.1)	(1.1)	–	–
— Interest rate swaps	(1.7)	(1.7)	(7.6)	(7.6)
Financial liabilities at amortised cost:				
Trade and other payables	(207.5)	(207.5)	(320.4)	(320.4)
Bank term loan	–	–	(679.5)	(679.5)
Senior secured notes	(500.0)	(497.9)	–	–
Senior secured credit facility — revolving	(113.0)	(113.0)	(204.5)	(204.5)
Bank overdraft	(23.0)	(23.0)	–	–
Securitisation facility	(19.7)	(19.7)	(120.0)	(120.0)

The following table presents the Group's financial assets and financial 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 4 Apr 2015 Level 1 £m	As at 4 Apr 2015 Level 2 £m	As at 31 Dec 2013 Level 1 £m	As at 31 Dec 2013 Level 2 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
— Forward foreign currency exchange contracts	–	–	–	0.2
— Commodity and energy derivatives	–	–	–	0.3
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
— Forward foreign currency exchange contracts	–	(0.9)	–	(1.9)
— Commodity derivatives	–	(1.1)	–	–
— Interest rate swaps	–	(1.7)	–	(7.6)
Financial liabilities at amortised cost:				
Senior secured notes	(497.9)	–	–	–

Fair value estimation

Derivatives

Forward exchange contracts are marked to market using prevailing market prices. Hedge accounting has not been applied to forward contracts and as a result the movement in the fair value of £0.8m has been credited to the statement of profit or loss in the period (2013: £2.0m charge).

22. Financial instruments continued

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 £1.4m has been charged to the statement of profit or loss (2013: £0.1m credit).

Interest rate swaps are marked to market using prevailing market prices. Interest rate swaps are also not designated for hedge accounting. As a result the movement in the fair value of £1.2m has been charged to the statement of profit or loss in the year (2013: £11.6m 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 4 April 2015 (2013: £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 4 Apr 2015 £m	As at 31 Dec 2013 £m
Total borrowings	**(629.6)**	(987.8)
Less cash and cash equivalents	**44.7**	157.0
Net debt	**(584.9)**	(830.8)
Total equity	**(540.2)**	(17.9)
Total capital	**(1,125.1)**	(848.7)
Gearing ratio	**52%**	98%

The decrease in gearing in 2014/15 was primarily due to the capital restructuring, which included a fully underwritten equity offering of £353m through a placing and rights issue, and a reduction in the pension scheme deficit.

The increase in gearing in 2013 was primarily due to large non-cash charges in relation to impairment of the Bread business and an increase in the retirement benefit obligation.

Under the Group's financing arrangement, the Group is required to meet two covenant tests which are calculated and tested on a 12 month rolling basis at the half year and full year, each year. The Group has complied with these tests at 30 June 2014, 31 December 2014 and 4 April 2015.

(f) Financial compliance risk

Risk

The Group continues to operate with a high level of net debt of £584.9m (2013: £830.8m) and is subject to operating within banking covenants set out in its refinancing agreement agreed with its bank syndicate, which include net debt/EBITDA and EBITDA/interest covenant tests. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw their funding to the Group.

In addition to covenant compliance, the Group must ensure that it manages its liquidity such that it has sufficient funds to meet its obligations as they fall due.

22. Financial instruments continued

It also supports three defined benefit pension schemes in the UK; all 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 2021 and has in place a debtor securitisation programme to provide additional funding and liquidity.

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 both the treasury and finance functions. 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 2019, subject to amendment in the event that the Company recommences payment of dividends. The Group continues to monitor the pension risks closely, working with the trustees to ensure a collaborative approach.

23. Provisions for liabilities and charges

	Restructuring £m	Other £m	Total £m
At 1 January 2013	(44.1)	(29.8)	(73.9)
Utilised during the year	26.2	4.2	30.4
Additional charge in the year	(14.8)	(17.7)	(32.5)
Unwind of provision	(0.3)	(0.2)	(0.5)
Released during the year	1.5	2.8	4.3
Reclassifications	0.8	(0.8)	–
At 31 December 2013	**(30.7)**	**(41.5)**	**(72.2)**
Utilised during the period	**8.2**	**5.8**	**14.0**
Additional charge in the period	**(1.6)**	**(3.6)**	**(5.2)**
Unwind of provision	**(2.1)**	**(0.5)**	**(2.6)**
Released during the period	**2.5**	**3.3**	**5.8**
Reclassifications	**(2.2)**	**2.2**	**–**
At 4 April 2015	**(25.9)**	**(34.3)**	**(60.2)**

Analysis of total provisions:

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Non-current	**(51.6)**	(57.2)
Current	**(8.6)**	(15.0)
Total provisions	**(60.2)**	(72.2)

Restructuring provisions at 4 April 2015 and 31 December 2013 primarily relate to provisions for non-operational leasehold properties. Other provisions at 4 April 2015 and 31 December 2013 primarily relate to insurance claims, dilapidations against leasehold properties and environmental liabilities. The costs relating to certain non-operational leasehold properties and dilapidation provisions will be incurred over a number of years in accordance with the length of the leases. These provisions have been discounted at rates between 0.47% and 2.55%. The unwinding of the discount is charged to the statement of profit or loss under interest payable.

24. 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 full actuarial valuation of the PFPS, the PGPPS and RHM pension schemes was carried out on 31 March 2013 / 5 April 2013 to establish ongoing funding arrangements. Deficit recovery plans have been agreed with the Trustees of each of the schemes. Actuarial valuations for the schemes based in Ireland took place during the course of 2014.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.2636 for the average rate during the period, and £1.00 = €1.3678 for the closing position at 4 April 2015.

On 30 September 2013 the Group's UK defined benefit pension schemes closed to future accrual. The future pension provision for these members is now made through the Group's defined contribution pension scheme. In accordance with IAS 19 (Revised), the scheme obligations were re-valued by the scheme actuaries immediately prior to the change and assumptions reviewed at that date. The resulting change of £18.2m was credited to the income statement within past service costs.

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

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

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

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

- Liquidity risk — all schemes have significant technical funding deficits which could have an adverse impact on the financial condition of the Group. The current Schedule of Contributions in place following the 2013 actuarial valuations fixes the deficit contributions from 1 January 2014 until 31 December 2019. The Group continues to monitor the pension risks closely working with the trustees to ensure a collaborative approach.
- Mortality risk — the assumptions adopted make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes liabilities. The trustees review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption.
- Yield risk — a fall in government bond yields will increase both the scheme's assets and liabilities. However, the liabilities may grow by more in monetary terms, thus increasing the deficit in the scheme.

24. Retirement benefit schemes continued

- Inflation risk — the majority of the scheme's liabilities increase in line with inflation and so if inflation is greater than expected, the liabilities will increase.

The schemes can limit or hedge their exposure to the yield and inflation risks described above by investing in assets that move in the same direction as the liabilities in the event of a fall in yields, or a rise in inflation. The RHM pension scheme has fully hedged inflation exposure and largely hedged interest rate exposure to the extent of its funding level. The PFPS has implemented a 30% hedging of its liabilities and has put in place a plan to increase the hedging level when market conditions are considered to be attractive.

The liabilities of the schemes are approximately 48% in respect of former active members who have yet to retire and approximately 52% in respect of pensioner members already in receipt of benefits. The mean duration of the liabilities is approximately 18 years.

At the balance sheet date, the combined principal actuarial assumptions used for all the schemes were as follows:

	Premier schemes	RHM schemes
At 4 April 2015		
Discount rate	**3.30%**	**3.30%**
Inflation — RPI	**3.00%**	**3.00%**
Inflation — CPI	**1.90%**	**1.90%**
Expected salary increases	**n/a**	**n/a**
Future pension increases	**2.00%**	**2.00%**
At 31 December 2013		
Discount rate	4.40%	4.40%
Inflation — RPI	3.35%	3.35%
Inflation — CPI	2.35%	2.35%
Expected salary increases	n/a	n/a
Future pension increases	2.15%	2.15%

For the smaller overseas schemes the discount rate used was 1.40% (2013: 3.50%) and future pension increases were 1.50% (2013: 1.75%).

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

	Premier schemes	RHM schemes
Life expectancy at 4 April 2015		
Male pensioner, currently aged 65	**87.8**	**86.4**
Female pensioner, currently aged 65	**90.1**	**88.6**
Male non-pensioner, currently aged 45	**89.2**	**87.7**
Female non-pensioner, currently aged 45	**91.6**	**90.1**
Life expectancy at 31 December 2013		
Male pensioner, currently aged 65	87.8	86.3
Female pensioner, currently aged 65	90.0	88.5
Male non-pensioner, currently aged 45	89.2	87.6
Female non-pensioner, currently aged 45	91.5	90.0

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 £78m/£81m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £34m/£33m
Assumed life expectancy at age 60 (rate of mortality)	Increase by 1 year	Increase by £140m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 4 April 2015. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

24. 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 4 April 2015:						
UK equities	0.9	0.1	51.7	1.4	52.6	1.2
Global equities	21.4	3.5	274.5	7.5	295.9	7.0
Government bonds	21.4	3.5	526.1	14.5	547.5	12.9
Corporate bonds	4.4	0.7	325.4	8.9	329.8	7.8
Property	7.5	1.3	252.5	7.0	260.0	6.1
Absolute return products	391.0	63.8	941.9	25.9	1,332.9	31.4
Cash	13.8	2.3	280.6	7.7	294.4	6.9
Other	152.1	24.8	–	–	152.1	3.6
Assets without a quoted price in an active market at 4 April 2015:						
Infrastructure funds	–	–	196.6	5.4	196.6	4.6
Swaps	–	–	430.0	11.9	430.0	10.1
Private equity	–	–	250.9	6.9	250.9	5.9
Other	–	–	105.8	2.9	105.8	2.5
Fair value of scheme assets at 4 April 2015	612.5	100	3,636.0	100	4,248.5	100
Assets with a quoted price in an active market at 31 December 2013:						
UK equities	0.9	0.2	46.6	1.7	47.5	1.5
Global equities	19.3	3.6	232.9	8.8	252.2	7.8
Government bonds	12.1	2.3	503.6	18.7	515.7	16.0
Corporate bonds	60.3	11.3	323.8	12.1	384.1	11.9
Property	0.9	0.2	180.8	6.7	181.7	5.6
Absolute return products	370.2	69.7	898.0	33.4	1,268.2	39.4
Cash	9.1	1.7	183.2	6.8	192.3	6.0
Other	58.6	11.0	0.1	–	58.7	1.8
Assets without a quoted price in an active market at 31 December 2013:						
Infrastructure funds	–	–	193.5	7.2	193.5	6.0
Swaps	–	–	(116.6)	(4.3)	(116.6)	(3.6)
Private equity	–	–	190.2	7.1	190.2	5.9
Other	–	–	50.9	1.8	50.9	1.7
Fair value of scheme assets at 31 December 2013	531.4	100	2,687.0	100	3,218.4	100

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

24. Retirement benefit schemes continued

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

	Premier schemes £m	RHM schemes £m	Total £m
At 4 April 2015			
Present value of funded obligations	**(1,065.9)**	**(3,394.4)**	**(4,460.3)**
Fair value of plan assets	**612.5**	**3,636.0**	**4,248.5**
(Deficit)/surplus in schemes	**(453.4)**	**241.6**	**(211.8)**
At 31 December 2013			
Present value of funded obligations	(916.9)	(2,904.8)	(3,821.7)
Fair value of plan assets	531.4	2,687.0	3,218.4
Deficit in schemes	(385.5)	(217.8)	(603.3)

The aggregate deficit has decreased by £391.5m during the period (2013: £136.5m increase) primarily due to asset performance in the RHM schemes offset by the impact of a decrease in the discount rate on the defined benefit obligations.

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

	Premier schemes £m	RHM schemes £m	Total £m
Defined benefit obligation at 1 January 2013	(871.1)	(2,805.0)	(3,676.1)
Current service cost	(3.4)	(7.6)	(11.0)
Past service credit	17.7	18.3	36.0
Interest cost	(37.3)	(121.3)	(158.6)
Remeasurement losses	(56.6)	(118.4)	(175.0)
Exchange differences	(1.3)	(0.4)	(1.7)
Contributions by plan participants	(2.2)	(4.0)	(6.2)
Benefits paid	37.3	133.6	170.9
Defined benefit obligation at 31 December 2013	**(916.9)**	**(2,904.8)**	**(3,821.7)**
Current service cost	**(0.1)**	**–**	**(0.1)**
Interest cost	**(49.4)**	**(156.5)**	**(205.9)**
Remeasurement losses	**(149.4)**	**(521.5)**	**(670.9)**
Exchange differences	**6.6**	**3.5**	**10.1**
Benefits paid	**43.3**	**184.9**	**228.2**
Defined benefit obligation at 4 April 2015	**(1,065.9)**	**(3,394.4)**	**(4,460.3)**

24. Retirement benefit schemes continued

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

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of plan assets at 1 January 2013	535.9	2,673.4	3,209.3
Interest income on plan assets	22.9	116.1	139.0
Remeasurement gains	2.1	20.2	22.3
Administrative costs	(5.9)	(5.7)	(11.6)
Contributions by employer	10.8	12.1	22.9
Contributions by plan participants	2.2	4.0	6.2
Exchange differences	0.7	0.5	1.2
Benefits paid	(37.3)	(133.6)	(170.9)
Fair value of plan assets at 31 December 2013	**531.4**	**2,687.0**	**3,218.4**
Interest income on plan assets	**28.5**	**145.4**	**173.9**
Remeasurement gains	**81.7**	**968.5**	**1,050.2**
Administrative costs	**(7.8)**	**(8.1)**	**(15.9)**
Contributions by employer	**28.2**	**31.1**	**59.3**
Exchange differences	**(6.2)**	**(3.0)**	**(9.2)**
Benefits paid	**(43.3)**	**(184.9)**	**(228.2)**
Fair value of plan assets at 4 April 2015	**612.5**	**3,636.0**	**4,248.5**

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

	Premier schemes £m	RHM schemes £m	Total £m
Deficit in schemes at 1 January 2013	(335.2)	(131.6)	(466.8)
Amount recognised in profit or loss	(6.0)	(0.2)	(6.2)
Remeasurements recognised in other comprehensive income	(54.5)	(98.2)	(152.7)
Contributions by employer	10.8	12.1	22.9
Exchange rate (losses)/gains	(0.6)	0.1	(0.5)
Deficit in schemes at 31 December 2013	**(385.5)**	**(217.8)**	**(603.3)**
Amount recognised in profit or loss	**(28.8)**	**(19.2)**	**(48.0)**
Remeasurements recognised in other comprehensive income	**(67.7)**	**447.0**	**379.3**
Contributions by employer	**28.2**	**31.1**	**59.3**
Exchange rate gains	**0.4**	**0.5**	**0.9**
(Deficit)/surplus in schemes at 4 April 2015	**(453.4)**	**241.6**	**(211.8)**

Notes to the financial statements

24. Retirement benefit schemes continued

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

	Premier schemes £m	RHM schemes £m	Total £m
2014/15			
Remeasurement loss on plan liabilities	**(149.4)**	**(521.5)**	**(670.9)**
Remeasurement gain on plan assets	**81.7**	**968.5**	**1,050.2**
Net remeasurement (loss)/gain for the period	**(67.7)**	**447.0**	**379.3**
2013			
Remeasurement loss on plan liabilities	(56.6)	(118.4)	(175.0)
Remeasurement gain on plan assets	2.1	20.2	22.3
Net remeasurement loss for the year	(54.5)	(98.2)	(152.7)

The actual return on plan assets was a £1,224.1m gain (2013: £161.3m gain), which is £1,050.2m more (2013: £22.3m more) than the interest income on plan assets of £173.9m (2013: £139.0m) at the start of the relevant periods.

The remeasurement loss on liabilities of £670.9m (2013: £175.0m loss) comprises a gain due to member experience of £1.8m (2013: £45.0m loss), a gain due to demographic assumptions of £5.3m (2013: £15.6m loss) and a loss due to changes in financial assumptions of £678.0m (2013: £114.4m loss).

The net remeasurement gain taken to the consolidated statement of comprehensive income was £379.3m (2013: £152.7m loss). This gain was £303.4m (2013: £124.4m loss) net of taxation (with tax at 20% for UK schemes, and 12.5% for Irish schemes).

With the change in financial year end the Group expects to contribute approximately £8m to its defined benefit plans in 2015/16 in relation to expenses and government levies and £6m of additional contributions to fund the scheme deficits. This is subject to final formal approval by the scheme trustees.

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

	Premier schemes £m	RHM schemes £m	Total £m
2014/15			
Operating profit			
Current service cost	**(0.1)**	**–**	**(0.1)**
Administrative costs	**(7.8)**	**(8.1)**	**(15.9)**
Net interest cost	**(20.9)**	**(11.1)**	**(32.0)**
Total	**(28.8)**	**(19.2)**	**(48.0)**
2013			
Operating profit			
Current service cost	(3.4)	(7.6)	(11.0)
Past service credit	17.7	18.3	36.0
Administrative costs	(5.9)	(5.7)	(11.6)
Net interest cost	(14.4)	(5.2)	(19.6)
Total	(6.0)	(0.2)	(6.2)

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, predominantly stakeholder arrangements. 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 £8.5m (2013: £3.4m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

25. Other liabilities

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Deferred financing fees	–	(15.8)
Deferred income	(12.8)	(14.0)
Other accruals	(0.2)	(0.6)
Total other liabilities	(13.0)	(30.4)

26. 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 under section 612 of the Companies Act 2006 applies, less subsequent realised losses relating to those acquisitions. During the period the Group transferred £53.0m to the P&L reserve that became realised on the write-down of the goodwill of the Sweet Treats business (2013: £182.8m on impairment of assets related to the Bread business).

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, and the translation reserve, which represents exchange differences arising from retranslation at period end exchange rates of the net investment in foreign subsidiaries.

Profit and loss reserve

The profit and loss reserve represents the cumulative surplus or deficit 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. 12,286 shares in Premier Foods plc were held by the Employee Benefit Trust at 4 April 2015, with a market value of £5,129 (2013: 97,122 shares with a market value of £124,802).

Share capital

	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 January 2013	239,806,206	24.0	1,124.7	1,148.7
Shares issued under share schemes	21,960	–	–	–
At 31 December 2013	239,828,166	24.0	1,124.7	1,148.7
Shares issued under share schemes	2,154,468	0.2	–	0.2
Share placement	76,923,077	7.7	92.3	100.0
Rights issue	506,835,545	50.7	202.7	253.4
Cost of shares issued	–	–	(13.3)	(13.3)
At 4 April 2015	825,741,256	82.6	1,406.4	1,489.0

Share award schemes

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

- A CEO Co-Investment Award ("CEO Co-Investment Award"). The scheme is structured as a share matching plan and was specifically created to facilitate the recruitment of Gavin Darby as CEO in 2013. Gavin Darby is required to commit and retain a significant amount of capital in the form of Premier Foods shares. The number of shares subject to awards, the periods in which they were granted and the periods in which they may be awarded are given below. These awards are equity-settled and outstanding awards will vest on 1 May 2015 and 1 May 2016. No further awards will be made under this plan.

- A Long-Term Incentive Plan ("LTIP") for executive directors and senior managers, approved by shareholders in 2011. The LTIP comprises two elements: performance shares and matching shares. For Performance Shares, participants have the right to subscribe for ordinary shares at nil cost. The number of shares subject to awards, the periods in which they were granted and the periods in which they may be awarded are given below. These awards are equity-settled and have a maximum term of three years.

Notes to the financial statements

26. Reserves and Share capital continued

The vesting of the 2012, 2013 and 2014 Performance Share awards are conditional on achievement of a combination of absolute adjusted earnings per share targets and average share price targets.

- A Restricted Stock Plan ("RSP") which provides specific ad hoc share awards to managers. Awards are normally subject only to continued employment. These awards may be equity-settled or cash-settled and normally have a retention term of two to three years for senior management.
- A Share Incentive Plan ("SIP") for all employees. Employees can be granted free shares and matching shares by the Company under this HMRC tax-advantaged plan. An employee must enter into a savings and share purchase agreement for partnership shares before the Company can grant matching shares, up to a ratio of 2:1. Free or Matching 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. To date the Company has only made Free Shares available to employees.

Share option schemes

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

- 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.
- The Company adopted an Executive Share Option Scheme ("ESOS") at the time of flotation for executive directors and senior managers. The last award was made in 2004 and lapsed in 2014; no further awards will be made under this scheme.

Details of the share awards of the Premier Foods plc CEO Co-Investment Award are as follows:

Premier Foods plc CEO Co-Investment Award

	2014/15		2013	
	Awards	Weighted average exercise price (p)	Awards	Weighted average exercise price (p)
Outstanding at the beginning of the period[1]	2,255,442	10	–	–
Granted during the period	–	–	1,477,572	10
Exercised during the period	(751,814)	10	–	–
Outstanding at the end of the period	1,503,628	10	1,477,572	10
Exercisable at the end of the period	–	–	–	–

1. Opening balances have been adjusted for the dilutive effect of the rights issue in the period.

The awards outstanding at 4 April 2015 had a weighted average remaining contractual life of 0.9 years (2013: 1.1 years). The weighted average fair value of awards granted during the year was nil pence per award.

Details of the share awards of the Premier Foods plc 2011 LTIP (Performance share award) are as follows:

Premier Foods plc LTIP (Performance share award)

	2014/15		2013	
	Awards	Weighted average exercise price (p)	Awards	Weighted average exercise price (p)
Outstanding at the beginning of the period[1]	4,650,875	10	3,883,365	10
Granted during the period	6,709,446	10	2,150,395	10
Forfeited during the period	(387,827)	10	(2,986,906)	10
Outstanding at the end of the period	10,972,494	10	3,046,854	10
Exercisable at the end of the period	–		–	–

[1] Opening balances have been adjusted for the dilutive effect of the rights issue in the period.

26. Reserves and Share capital continued

The awards outstanding at 4 April 2015 had a weighted average remaining contractual life of 1.6 years (2013: 1.6 years). The weighted average fair value of awards granted during the year was nil pence per award.

Details of the share awards of the Premier Foods plc 2011 LTIP (Matching share award) are as follows:

Premier Foods plc LTIP (Matching share award)

	2014/15		2013	
	Awards	Weighted average exercise price (p)	Awards	Weighted average exercise price (p)
Outstanding at the beginning of the period[1]	193,289	10	267,376	10
Forfeited during the period	(193,289)	10	(140,749)	10
Outstanding at the end of the period	–	–	126,627	10
Exercisable at the end of the period	–	–	–	–

1. Opening balances have been adjusted for the dilutive effect of the rights issue in the period.

There were no awards outstanding at 4 April 2015.

Details of the share awards of the Premier Foods plc Restricted Stock Plan are as follows:

Premier Foods plc Restricted Stock Plan

	2014/15		2013	
	Awards	Weighted average exercise price (p)	Awards	Weighted average exercise price (p)
Outstanding at the beginning of the period[1]	6,160,248	10	104,347	–
Granted during the period	8,576,879	10	3,931,327	10
Exercised during the period	(3,328,588)	10	–	–
Forfeited during the period	(543,089)	10	–	–
Outstanding at the end of the period	10,865,450	10	4,035,674	10
Exercisable at the end of the period	2,461,339	10	–	–

1. Opening balances have been adjusted for the dilutive effect of the rights issue in the period.

The awards outstanding at 4 April 2015 had a weighted average remaining contractual life of 1.2 years (2013: 1.2 years). The weighted average fair value of awards granted during the year was nil pence per award.

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

Premier Foods plc Share Incentive Plan

	2014/15	
	Awards	Weighted average exercise price (p)
Outstanding at the beginning of the period	–	–
Granted during the period	1,952,000	10
Exercised during the period	(11,000)	10
Forfeited during the period	(34,000)	10
Outstanding at the end of the period	1,907,000	10
Exercisable at the end of the period	–	–

The awards outstanding at 4 April 2015 had a weighted average remaining contractual life of 3.0 years. The weighted average fair value of awards granted during the year was nil pence per award.

26. Reserves and Share capital continued

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

Premier Foods plc Sharesave Plan

	2014/15		2013	
	Awards	Weighted average exercise price (p)	Awards	Weighted average exercise price (p)
Outstanding at the beginning of the period[1]	9,670,278	64	5,959,333	114
Exercised during the period	(198,468)	35	(21,960)	70
Granted during the period	6,484,716	35	2,391,628	111
Forfeited during the period	(5,810,453)	69	(1,850,155)	166
Outstanding at the end of the period	10,146,073	43	6,478,846	98
Exercisable at the end of the period	832,403	62	1,044,438	152

1. Opening balances have been adjusted for the dilutive effect of the rights issue in the period.

During the year 6.5 million (2013: 2.4 million) options were granted under the Sharesave Plan, with a weighted average exercise price at the date of exercise of 35 pence per ordinary share (2013: 111 pence).

The options outstanding at 4 April 2015 had a weighted average exercise price of 43 pence (2013: 98 pence), and a weighted average remaining contractual life of 2.2 years (2013: 1.9 years).

Details of the share options of the Premier Foods plc ESOS are as follows:

Premier Foods plc Executive Share Option Scheme

	2014/15		2013	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at the beginning of the period[1]	201,316	1,620	131,885	1,620
Forfeited during the period	(201,316)	1,620	–	–
Outstanding at the end of the period	–	–	131,885	1,620
Exercisable at the end of the period	–	–	131,885	1,620

1. Opening balances have been adjusted for the dilutive effect of the rights issue in the period.

There were no awards outstanding at 4 April 2015.

In 2014/15, the Group's continuing operations recognised an expense of £3.4m (2013: £3.8m), 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

	4 Apr 2015			31 Dec 2013		
	Number outstanding at end of the year	Weighted average remaining contractual life (years)	Weighted average exercise price (p)	Number outstanding at end of the year	Weighted average remaining contractual life (years)	Weighted average exercise price (p)
At 10 pence	25,248,572	1.5	10	8,686,727	1.3	10
£0.10 to £9.90	10,146,073	2.2	43	6,478,846	1.9	98
£10.00 to £20.00	–	–	–	131,885	0.6	1,620
Total	35,394,645	1.7	19	15,297,458	1.5	61

27. Notes to the cash flow statement

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

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Continuing operations		
(Loss)/profit before taxation	**(135.6)**	4.4
Net finance cost	**81.9**	48.2
Share of loss from associates	**9.6**	–
Operating (loss)/profit	**(44.1)**	52.6
Depreciation of property, plant and equipment	**18.5**	17.3
Amortisation of intangible assets	**47.6**	43.8
Loss on disposal of businesses	**6.0**	2.4
Loss on disposal of property, plant and equipment	**2.5**	7.8
Impairment of property, plant and equipment	**16.0**	–
Impairment of goodwill	**67.9**	–
Revaluation losses on financial instruments	**0.6**	1.9
Equity-settled employee incentive schemes	**3.4**	4.1
(Increase)/decrease in inventories	**(11.2)**	5.0
Decrease in trade and other receivables	**23.6**	35.7
Decrease in trade and other payables and provisions	**(53.4)**	(45.6)
Movement in retirement benefit obligations	**(7.1)**	(16.3)
Cash generated from continuing operations	**70.3**	108.7
Discontinued operations	**(7.8)**	14.7
Cash generated from operating activities	**62.5**	123.4

Reconciliation of cash and cash equivalents to net borrowings

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Net (outflow)/inflow of cash and cash equivalents	**(135.3)**	147.2
Decrease in finance leases	**–**	0.4
Decrease/(increase) in borrowings	**401.7**	(21.4)
Other non-cash movements	**(20.5)**	(6.3)
Decrease in borrowings net of cash	**245.9**	119.9
Total net borrowings at beginning of period	**(830.8)**	(950.7)
Total net borrowings at end of period	**(584.9)**	(830.8)

Analysis of movement in borrowings

	As at 1 Jan 2014 £m	Cash flows £m	Other non-cash movements £m	As at 4 Apr 2015 £m
Bank overdrafts	–	(23.0)	–	**(23.0)**
Cash and bank deposits	157.0	(112.3)	–	**44.7**
Net cash and cash equivalents	157.0	(135.3)	–	**21.7**
Borrowings — term facilities	(679.5)	679.5	–	**–**
Borrowings — revolving credit facilities	(204.5)	91.5	–	**(113.0)**
Borrowings — senior secured notes	–	(500.0)	–	**(500.0)**
Securitisation facility	(120.0)	100.3	–	**(19.7)**
Gross borrowings net of cash[1]	(847.0)	236.0	–	**(611.0)**
Debt issuance costs	16.2	30.4	(20.5)	**26.1**
Total net borrowings[1]	(830.8)	266.4	(20.5)	**(584.9)**

[1] Borrowings excludes derivative financial instruments.

Notes to the financial statements

27. Notes to the cash flow statement continued

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 4 Apr 2015			As at 31 Dec 2013		
	Offset asset	Offset liability	Net offset asset	Offset asset	Offset liability	Net offset asset
Cash, cash equivalents and bank overdrafts	**149.6**	**(127.9)**	**21.7**	322.8	(165.8)	157.0

28. 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 above. Within our leasing arrangements there are no significant contingent rentals, renewal, purchase or escalation clauses.

The future aggregate minimum lease payments under non-cancellable operating leases for continuing operations are as follows:

	As at 4 Apr 2015		As at 31 Dec 2013	
	Property £m	Plant and Equipment £m	Property £m	Plant and Equipment £m
Within one year	**4.9**	**1.7**	3.8	0.5
Between 2 and 5 years	**10.2**	**4.0**	13.2	1.3
After 5 years	**4.5**	**–**	15.6	–
Total	**19.6**	**5.7**	32.6	1.8

The Group sub-lets various properties under non-cancellable lease arrangements. Sub-lease receipts of £1.7m (2013: £1.5m) were recognised in the statement of profit or loss during the period. The total future minimum sub-lease payments at the period end is £0.7m (2013: £3.1m).

29. Capital commitments

Capital expenditure for continuing operations contracted for at the end of the reporting period but not yet incurred is as follows:

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Intangible assets	**0.1**	–
Property, plant and equipment	**8.6**	3.1
Total capital commitments	**8.7**	3.1

30. Contingencies

There were no material contingent liabilities at 4 April 2015 (2013: none). Other contingencies and guarantees in respect of the Parent Company are described in note 9 of the Parent Company financial statements.

31. 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 Group Executive. 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 Annual Report on Remuneration on pages 55 to 61.

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Short term employee benefits	6.3	5.8
Post employment benefits	0.1	0.3
Share-based payments	3.2	3.6
Total key management compensation	9.6	9.7

(b) Transactions with associates

The Group's associates are considered to be related parties. Transactions with associates are set out below:

	Period ended 4 Apr 2015 £m	Year ended 31 Dec 2013 £m
Sale of goods:		
— Hovis Limited	0.3	–
Sale of services:		
— Hovis Limited	4.9	–
— Knighton Foods Limited	0.8	–
Total sales	6.0	–
Purchase of goods:		
— Hovis Limited	11.2	–
— Knighton Foods Limited	20.6	–
Total purchases	31.8	–

(c) Loans to associates

Details of loans to associates are set out in note 16.

(d) Other related parties

As at 4 April 2015 the following are considered to be related parties under the Listing Rules due to their shareholdings exceeding 10% of the Group's total issued share capital:

- Warburg Pincus LLC
- Standard Life Investments Limited

32. Subsequent events

There were no subsequent events.

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Independent auditors' report
to the members of Premier Foods plc

Report on the parent company financial statements

Our opinion

In our opinion, Premier Foods plc's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 4 April 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Premier Foods plc's financial statements comprise:

- the balance sheet as at 4 April 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report — Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Premier Foods plc for the period 1January 2014 to 4 April 2015.

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 May 2015

(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company financial statements

The following statements reflect the financial position of the Company, Premier Foods plc as at 4 April 2015 and 31 December 2013. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in the United Kingdom ("UK GAAP"). 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 or cash flow statement.

Balance Sheet

	Note	**As at 4 Apr 2015 £m**	As at 31 Dec 2013 £m
Fixed assets			
Investments in Group undertakings	3	**3.1**	–
Current assets			
Debtors	4	**1,016.7**	895.6
Deferred tax assets	6	**1.8**	1.1
Cash at bank and in hand		**0.5**	0.3
Total assets		**1,022.1**	897.0
Creditors: amounts falling due within one year	5	**(85.2)**	(314.1)
Net current assets		**933.8**	582.9
Total assets less current liabilities		**936.9**	582.9
Capital and reserves			
Called up share capital	7	**82.6**	24.0
Share premium account	7	**1,406.4**	1,124.7
Profit and loss account	7	**(552.1)**	(565.8)
Total shareholders' funds		**936.9**	582.9

The notes on pages 131 to 133 form an integral part of the financial statements.

The financial statements on pages 130 to 133 were approved by the Board of directors on 18 May 2015 and signed on its behalf by:

Gavin Darby
Chief Executive Officer

Alastair Murray
Chief Financial Officer

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom ("UK GAAP"), under the historical cost convention. The profit for the period of £9.4m (2013: £501.6m loss) is recorded in the accounts of Premier Foods plc. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account cash flow statement for the Company.

The directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

The Company is exempt under the terms of Financial Reporting Standard 8 "Related Party Disclosures" ("FRS 8") from disclosing related party transactions with entities that are wholly owned subsidiaries of the Premier Foods plc Group or investees of the Premier Foods plc Group.

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision for impairment in their value.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

The Company provides in full for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their inclusion in tax computations to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The Company discounts its deferred tax liability as appropriate.

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

Cash and liquid resources

Short-term cash deposits, which can be called on demand without any material penalty, are included within cash balances in the balance sheet.

Share-based payments

The Company operates a number of equity-settled and cash-settled share-based compensation plans. The fair value of employee share option plans is calculated using an option-pricing model. In accordance with Financial Reporting Standard 20, "Share-Based Payment" ("FRS 20"), the resulting cost 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 cost 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 Group 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 distribution to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, and for interim dividends in the period in which they are paid.

Operating lease agreements

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

Notes to the Company financial statements

2. Operating profit

Audit fees in respect of the Company are £nil (2013: £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 4 April 2015, the Company had two employees (2013: three), and their remuneration totalled £2.4m (2013: £1.6m). This excludes the Company's six (2013: six) non executive directors whose remuneration totalled £0.7m (2013: £0.6m). Directors' emolument disclosures are provided in the Single Figure Table on page 55 of this annual report.

3. Investments in Group undertakings

	2014/15 £m	2013 £m
Cost		
At 1 January	1,759.3	1,757.3
Additions	3.1	2.0
At 4 April/31 December	1,762.4	1,759.3
Accumulated impairment		
At 1 January	(1,759.3)	(1,278.2)
Impairment charge for the period/year	–	(481.1)
At 4 April/31 December	(1,759.3)	(1,759.3)
NBV at 4 April/31 December	3.1	–

Impairment charge

An impairment charge of £481.1m was recognised in 2013 against the value of the Company's investment in subsidiaries, principally as a result of the announcement of the conditional sale of the Group's majority share in the Bread business on 27 January 2014.

In 2014/15 a capital contribution of £3.1m (2013: £2.0m) 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 15 in the Group financial statements for a list of the principal subsidiary undertakings. The companies listed are those that principally affect the results and assets of the Company. The directors consider that to give full particulars of subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings is attached to the Company's annual return which is filed at Companies House.

4. Debtors

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Amounts owed by Group undertakings	1,016.7	895.6

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are not subject to interest rate risk as they are interest free, with the exception of £344.7m (2013: £330.2m) which attracted interest at a rate of LIBOR plus 3.75% (2013: LIBOR plus 2.25%). Carrying value approximates fair value.

5. Creditors: amounts falling due within one year

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Amounts owed to Group undertakings	65.2	297.5
Group relief payable	20.0	16.6
Total creditors falling due within one year	85.2	314.1

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 an amount in 2013 of £39.4m which attracted interest at a rate of LIBOR plus 3.0%. Carrying value approximates fair value.

6. Deferred Tax

	2014/15 £m	2013 £m
At 1 January	**1.1**	0.9
Credited to the profit and loss account	**0.7**	0.2
At 4 April/31 December	**1.8**	1.1

The deferred tax asset relates to share-based payments.

7. Called up share capital and other reserves

	Called up share capital £m	Share premium account £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 January 2013	24.0	1,124.7	29.7	(97.4)	1,081.0
Loss for the year	–	–	–	(501.6)	(501.6)
Realisation of merger reserve (b)	–	–	(29.7)	29.7	–
Share-based payments (a)	–	–	–	3.5	3.5
At 31 December 2013	**24.0**	**1,124.7**	**–**	**(565.8)**	**582.9**
Profit for the period	**–**	**–**	**–**	**9.4**	**9.4**
Share-based payments (a)	**–**	**–**	**–**	**4.3**	**4.3**
Shares issued	**58.6**	**295.0**	**–**	**–**	**353.6**
Cost of shares issued	**–**	**(13.3)**	**–**	**–**	**(13.3)**
At 4 April 2015	**82.6**	**1,406.4**	**–**	**(552.1)**	**936.9**

Called up share capital

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Issued and fully paid		
825,741,256 (2013: 239,806,206) ordinary shares of 10 pence each	**82.6**	24.0

(a) Share-based payments

The costs reflect the Company's share option schemes in operation. Further details are available in note 26 of the Group's consolidated financial statements.

The charge relating to employees of the Company amounted to £1.5m (2013: £1.7m). Further details of these schemes can be found in the Annual Report on Remuneration on page 55 to 61.

(b) Realisation of merger reserve

In 2013 the Company transferred to the profit and loss account an amount that became realised on the write-down of the related investment.

8. Operating lease commitments

The Company has annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 4 Apr 2015 £m	As at 31 Dec 2013 £m
Between 2 and 5 years	**0.3**	0.3

The lease expense has been borne by a subsidiary company.

9. 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 4 April 2015 is £0.9bn (2013: £1.2bn).

10. Subsequent events

There were no subsequent events.

Shareholder Information

Manage Your Shares

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 - 0871 384 2030

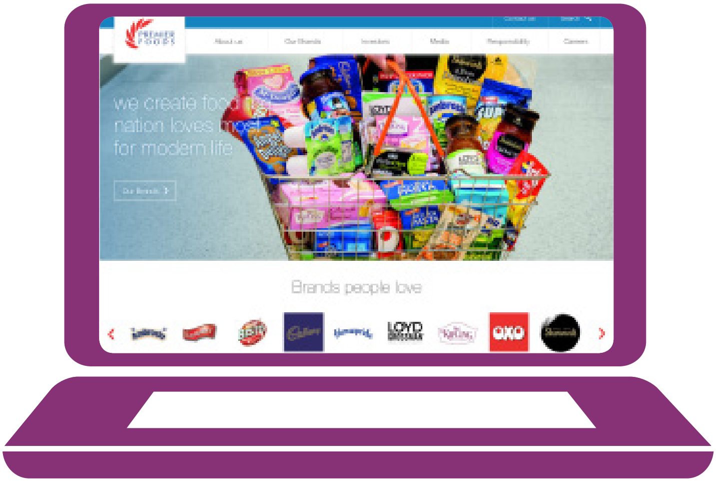
(Calls to this number cost 8p per minute plus network extras). Lines are open 8.30 am to 5.30 pm Monday to Friday (or +44 121 415 7047 if calling from outside the UK).

Or visit Equiniti's Shareview website:
www.shareview.co.uk

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.

Our new corporate website is full of all the latest information about our brands, our people and our financial results.



www.premierfoods.co.uk

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. The Company has an exclusive licence to use the *Cadbury* trademark in the UK (and other specified territories) on a variety of ambient cake products. *Cadbury* is a trademark of Mondelez International, Inc.

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